

# 2004 TAX HINTS

Practitioner's Guide to the Filing Season

## WELCOME TO TAX HINTS

In this edition of **Tax Hints**, you will find information about changes that will help you and your clients during the 2004 filing season. You'll find information about the IRS structure, points of contact, useful telephone numbers, explanations of changes and improvements for the 2004 filing season and hints about making it a smooth one.

We hope this information will make your job easier and that your experiences with the IRS this filing season will be pleasant and helpful to you and your clients.

**Tax Hints** was produced jointly by the IRS operating and functional divisions and National Public Liaison. Thanks to all who contributed and special thanks to the W&I Austin Communications staff who contributed to the development and production of this document. Since it is only available on our Web site, feel free to download and reproduce it often. **We cannot provide printed copies.**

*Revised 2/10/04*

## A Message from the Commissioner

Dear Tax Professional:

I am honored to serve as the Commissioner of the Internal Revenue Service, and in so doing, have the opportunity to work with the tax professional community. Your interest, support and criticism have been instrumental to the progress we've made so far toward modernizing the IRS.

There is much more that we must accomplish. As we move forward, we must focus on three areas:

1. We must stay the course of our reorganization, which continues to improve customer service.
2. We must continue the information technology modernization program — its success is critical to establishing a more efficient, effective IRS, and
3. We must strengthen the integrity of our nation's tax system through enhanced enforcement activities. The IRS must deter those who might be inclined to evade their legal tax obligations and appropriately pursue those who actually do. You can help us by discouraging taxpayers from participating in schemes designed to undermine our tax system.

Based on a foundation of taxpayer rights, together, service plus enforcement equals compliance.

This year we continued to focus on providing you and your clients with the types of services that you've come to expect from the private sector and that will make it easier to report and pay taxes.

We've been working to upgrade our electronic filing system to provide greater capabilities — and hopefully make it

more attractive to you and easier to use. Each year, more and more taxpayers and practitioners choose IRS e-file because their returns are processed faster with fewer errors. This means quicker refunds and less

contact with IRS. As taxpayer demand for IRS e-file continues to grow, you can meet the expectations of your clients by participating as an authorized e-file provider.

Also this year, we're rolling out a series of web-based services for practitioners — *e-services*. E-services will allow practitioners to perform, on-line, such tasks as:

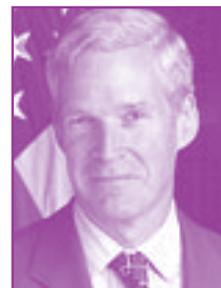
- Registering
- Filing an e-file application
- Changing addresses
- Submitting disclosure authorizations, and
- Submitting account-related inquiries and requests for tax return information

To learn more about e-services as they become available, I hope you'll visit the Tax Professionals page of [irs.gov](http://irs.gov), where you'll find a wealth of information to assist you in serving your clients.

I look forward to continuing our partnership as we work to ensure the integrity of our nation's tax system and further improve services.



Mark W. Everson  
Commissioner Internal Revenue



*Mark W. Everson*  
Commissioner,  
Internal Revenue

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**What's new for 2004?  
2003 tax law changes for individuals**

There were a number of changes to the tax law for 2003 which will affect the 2004 filing season. What follows are highlights of these changes, but more detailed information can be found in Publication 17, *Your Federal Income Tax* and in Publication 553, *Highlights of 2003 Tax Changes*.

**Tax rate changes.** The following items highlight the changes to the tax rates. The 2003 tax tables and tax rate schedules are included near the back of Publication 17.

- The 10% tax rate bracket for most filing statuses is expanded.
- The 15% tax rate bracket for married taxpayers filing jointly and qualifying widow(er) is expanded.
- The 27%, 30%, 35% and 38.6% tax rates are reduced to 25%, 28%, 33% and 35%, respectively.

**Child tax credits increased.** You may be able to take credits of up to \$1,000 for each qualifying child, but you must reduce your credits by any advance child tax credit payment you received in 2003.

**Advance child tax credit payment.** You must reduce your 2003 child tax credits by any advance child tax credit

payment you received in 2003. The amount of your advance payment is shown on Notice 1319. This notice was mailed to you in 2003. If you do not have this notice, you can check the amount of your advance payment on the IRS Web site at [www.irs.gov](http://www.irs.gov) or call us at **1.800.829.1040**. If you received an advance payment but did not have a qualifying child for 2003, you do not have to pay back the amount you received. Do not enter the amount of your advance payment on your return. If you filed a joint return for 2002, but for 2003 you are not filing a joint return (or a joint return with the same spouse), you are considered to have received one-half of the advance payment.

**Married filing joint standard deduction.** The standard deduction for married taxpayers filing a joint return has increased.

**New capital gain rates.** For gains after May 5, 2003, the 10 percent capital gain rate is reduced to 5 percent and the 20 percent capital gain rate is reduced to 15 percent. In addition, the 8 percent capital gain rate for qualified 5-year gain does not apply to gains after that date.

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**The IRS Mission**

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.



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**2003 tax law changes for individuals**

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**Dividends taxed at capital gain rates.** After Dec. 31, 2002, qualified dividend income is taxed at the new capital gain rates.

**Standard mileage rates.** The standard mileage rate for the cost of operating your car decreased to 36 cents a mile for all business miles driven. The standard mileage rate allowed for use of your car for medical reasons decreased to 12 cents a mile. The standard mileage rate allowed for use of your car for determining moving expenses decreased to 12 cents a mile.

**Lifetime learning credit.** The amount of qualified tuition and related expenses you may take into account in figuring your lifetime learning credit increased from \$5,000 to \$10,000. The credit equals 20 percent of these qualified expenses, with the maximum credit being \$2,000.

**Child and dependent care credit.**

The following changes apply to the child and dependent care credit.

- The credit can be as much as 35% (previously 30%) of your qualified expenses
- The maximum adjusted gross income amount that qualifies for the highest rate increased to \$15,000 (previously \$10,000).
- The limit on the amount of qualifying expenses increased to \$3,000 for one qualifying individual and \$6,000 for two or more qualifying individuals.
- The amount of income that is treated as having been earned by a spouse who is either a full-time student or not able to care for himself or herself increased to \$250 a month if there is one qualifying individual and \$500 a month if there are two or more qualifying individuals.

**Tax benefits for adoption.** Subject to

the income and tax liability limits, the adoption credit and the exclusion from income of benefits under an adoption assistance program for the adoption of a child with special needs is \$10,160 regardless of the amount of qualified adoption expenses.

**Retirement savings plans.** The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans.

**Traditional IRA income limits.** If you have a traditional IRA and are covered by a retirement plan at work, the amount of income you can have and not be affected by the deduction phaseout increases. The amounts vary depending on filing status.

**Deemed IRAs.** A qualified employer plan (retirement plan) can maintain a separate account or annuity under the plan (a deemed IRA) to receive voluntary employee contributions. An employee's account can be treated as a traditional IRA or a Roth IRA.

**Limit on elective deferrals.** The maximum amount of elective deferrals under a salary reduction agreement that could be contributed to a qualified plan increased to \$12,000 (\$14,000 if you were age 50 or over). However, for SIMPLE plans, the amount increased to \$8,000 (\$9,000 if you were age 50 or over).

**Self-employed health insurance deduction.** You can deduct 100 percent of your self-employed health insurance premiums as an adjustment to income.

**Health coverage tax credit.** This helps certain displaced workers and certain retirees pay for qualified health insurance.

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## 2003 tax law changes for individuals *Continued from page 3*

**Certain amounts increased.** Some tax items that are indexed for inflation increased for 2003.

**Earned income credit (EIC).** The maximum amount of income you can earn and still get the earned income credit increased. The amount depends on your filing status and number of children. The maximum amount of investment income you can have and still be eligible for the credit has increased to \$2,600.

**Standard deduction.** The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The amount depends on your filing status.

**Exemption amount.** You are allowed a \$3,050 deduction for each exemption to which you are entitled. However, your exemption amount could be phased out if you have high income.

**Limit on itemized deduction.** Some of your itemized deductions may be limited if your adjusted gross income is more than \$139,500 (\$69,750 if you are married filing separately).

**Social Security and Medicare taxes.** The maximum wages subject to social security tax (6.2%) increased to \$87,000. All wages are subject to Medicare tax (1.45%).

**Military Family Tax Relief Act of 2003.** This legislation made the following changes.

- The 5-year period that can qualify you to exclude the gain from the sale of your main home can be suspended by certain members of the uniformed services or Foreign Service while on official extended duty.
- The tax-free treatment of the

death gratuity paid to survivors of U.S. military members for deaths occurring after Sept. 10, 2001, increased from \$3,000 to \$12,000.

- Amounts received as a qualifying military base realignment and closure fringe benefit are now excluded from taxable income.
- The rules for filing a return that apply to members of the armed forces in a combat zone are extended to include members of the armed forces in a designated contingency operation.

- Qualified military benefits include benefits under dependent-care assistance programs.
- The additional tax on distributions from a Coverdell education savings account or a qualified tuition plan does not apply to a distribution made on account of attendance at a military academy.
- Reserve component members can claim an above-the-line deduction for overnight travel expenses such as transportation, lodging and meals.
- Income tax relief is granted to families of astronauts who die in the line of duty.

### Important changes that could affect estimated tax payments for 2004

**Standard mileage rates.** For tax years beginning in 2004, the standard mileage rate for the cost of operating your car increases to:

- 37.5 cents a mile for all business miles driven,
- 14 cents a mile for the use of your car for medical reasons, and
- 14 cents a mile for the use of your car for determining moving expenses.

**Retirement savings plans.** The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans.

**Traditional IRA income limits.** If you have a traditional IRA and are covered by a retirement plan at work, the amount of income you can have

and not be affected by the deduction phaseout increases. The amounts vary depending on filing status.

**Limit on elective deferrals.** The maximum amount of elective deferrals under a salary reduction agreement that can be contributed to a qualified plan increases to \$13,000 (\$16,000 if you are age 50 or over). However, for SIMPLE plans, the amount increases to \$9,000 (\$10,500 if you are age 50 or over).

**Tuition and fees deduction.** Beginning in 2004, the amount of qualified education expenses you can take into account in figuring your tuition and fees deduction varies depending on your modified adjusted gross income.

## 2003 tax law changes for small business

The following are some of the tax changes for small business for 2003. For more information on these and other changes, see Publication 553, *Highlights of 2003 Tax Changes*.

**Standard mileage rate.** The standard mileage rate for the cost of operating your car, van, pickup or panel truck in 2003 is 36 cents a mile for all business miles.

**Self-employment tax.** The maximum net self-employment earnings subject to the Social Security part (12.4 percent) of the self-employment tax is \$87,000 for 2003.

**Self-employed health insurance deduction.** Beginning in 2003, the self-employed health insurance deduction percentage increases to 100 percent.

**Additional depreciation.** You may be able to claim an additional 50 percent special depreciation allow-

ance for property acquired after May 5, 2003.

**Increased section 179 deduction dollar limit.** The maximum section 179 deduction you can elect for property you purchased and placed in service beginning in 2003 has increased from \$24,000 to \$100,000. This amount will be adjusted for

inflation for 2004 and 2005.

**Inclusion of off-the-shelf computer software as eligible section 179 property.** The types of property that qualify for the section 179 deduction have been expanded to include off-the-shelf computer software purchased and placed in service beginning in 2003.

### Changes for 2004

The following are some of the tax changes for small business for 2004. For more information on these and other changes, see Publication 553, *Highlights of 2003 Tax Changes*.

**Standard mileage rate.** The standard mileage rate for the cost of operating your car, van, pickup or panel truck in 2004 is 37.5 cents a mile for all business miles.

**Self-employment tax.** The maximum net self-employment earnings subject to the Social Security part of the self-employment tax increases to \$87,900 for 2004.

**Standard mileage rate available for small fleets.** Beginning in 2004, the business standard mileage rate may be used for as many as four vehicles that you own or lease and use simultaneously.

## Military Family Tax Relief Act

A new law provides income exclusions for death benefit payments and certain home sales for qualifying military families. Both provisions are retroactive, so some qualifying taxpayers must file amended returns to claim these tax breaks. These taxpayers should put the words *Military Family Tax Relief Act* in red at the top of such returns to speed processing.

The new law doubled the gratuity paid to survivors of deceased armed forces members to \$12,000, made the entire amount tax-free and made the changes effective for deaths occurring after Sept. 10, 2001. Previously, only \$3,000 was tax-free. Recipients who already paid tax on benefits received for deaths after the effective date may file an amended return on Form 1040X, reducing their adjusted gross income

by the \$3,000 they had reported as taxable. Those who receive such gratuities in 2003 and future years will not have to report them on their tax returns.

Taxpayers may exclude gain on a home sale, provided they have owned and used the home as a principal residence for two of the five years before the sale. A reduced maximum exclusion may apply to those who satisfy part of the two-year rule. Military personnel often retain ownership of a home while away on duty but eventually sell it without returning to live in it, perhaps failing the use test completely.

The new law allows persons on qualified extended duty in the U.S. armed services or the Foreign Service to suspend this five-year test period for up to 10 years of such

duty time. A taxpayer is on qualified extended duty when at a duty station that is at least 50 miles from the residence sold, or when residing under orders in government housing, for more than 90 days or for an indefinite period.

This change applies to home sales after May 6, 1997. A taxpayer may use this provision for only one property at a time and may exclude gain on only one home sale in any two-year period. Although an amended return must usually be filed within three years of the original return's due date, the law gives qualifying taxpayers who sold a home before 2001 until Nov. 10, 2004, to file an amended return claiming the exclusion.

A taxpayer may use Form 4506, *Request for Copy or Transcript of*

*Continued on page 6*

**Military Family Tax Relief Act** *Continued from page 5*

Return, to get an earlier year's tax return. This form and Form 1040X are available on the IRS Web site or by calling **1.800.TAX.FORM (1.800.829.3676)**.

- **Example #1:** Lt. Green owned a house in Georgia and lived there from December 1988 until deployed overseas in January 1991. When he returned to the United States in July 1999, he was stationed 90 miles from the house. Preferring not to commute this distance, he sold the house four months later, realizing a gain of \$150,000. Because he had not used the house as his principal residence during the 5 years preceding the sale, he reported this capital gain on his 1999 return. Under the new law, he can disregard both the 8½ years he was overseas and the 4 months after his return to the States, since he was stationed more than 50 miles from old residence. His five-year test period for ownership and use now consists of the 5 years before January 1991, when he went overseas. Since he owned and lived in the house for more than two years during this test period, he may exclude the gain on the sale. He must file an amended return by Nov. 10, 2004, to recover the capital gain tax paid on the 1999 return.
- **Example #2:** Assume the same facts as Example #1, except that when Lt. Green returned to the U.S., his duty station was 40 miles from the house. Only the time overseas may be disregarded, because his duty station after returning to the U.S. was within 50 miles of the old residence. His five-year test period for ownership and use now consists of 4 months in 1999 and the 56 months before January 1991, when he went

overseas. Since he lived in the house for more than two years during this test period, he may exclude the gain on the sale. He must file an amended return by Nov. 10, 2004, to recover the capital gain tax paid on the 1999 return.

- **Example #3:** Col. White owned and lived in her Ohio house for three years before being stationed overseas in January 1988. She was still overseas when she sold the house in January 2003. She may disregard only 10 of her 15 years overseas, so her 5-year test period consists entirely of years in which she did not live in the house, leaving her not eligible for the home sale exclusion.

- **Example #4:** Sgt. Brown owned and lived in a Virginia townhouse for 10 months before being deployed overseas in February 1991. She returned in 1995 and lived in the townhouse for 16 months before she was assigned to a Texas duty station in late August 1996. She married, and when the couple returned to Virginia in July 1999, they bought a nearby house. In July 2001, they sold the townhouse. Having lived in the townhouse only one month in the five years preceding its sale, they reported the capital gain on their 2001 return. Under the new law, they may disregard the time spent overseas and in Texas when determining the 5-year test period, which would then consist of the

two years from July 1999 to July 2001, when they lived nearby, the 16 months she lived in the townhouse in 1995-96, and the 20 months before the February 1991 overseas deployment. During this test period, Sgt. Brown owned and lived in the townhouse for 26 months, so she may exclude up to \$250,000 of gain on its sale. Because her husband never lived in the townhouse, he does not qualify for any exclusion. The Browns have until Apr. 15, 2005, to file an amended return claiming a refund of the capital gain tax paid on the excludable amount.



For information on other tax benefits and issues relevant to military members and their families, go to **irs.gov**, which includes:

- Questions & Answers on combat zone tax provisions, military pay exclusions, deadline extensions and miscellaneous provisions for qualifying taxpayers, employers.
- A combat zone e-mail address for members of the armed forces or their families worldwide to alert the IRS that they are serving in a combat zone.
- A link to Publication 3, *Armed Forces' Tax Guide*, which addresses a wide range of issues that may affect members of the military.

## IRS launches first on-line business tools

Last fall, the IRS launched the first of a suite of Internet-based business tools that give tax professionals and financial institutions easier access to client information.

Known collectively as e-services, the suite of products provides tax professionals with new choices for working electronically with the IRS. The first three products provide a foundation for future services that will significantly enhance how the IRS does business with tax professionals and those who file selected information returns, such as banks and other financial institutions.

The new e-services begin a series of steps that will improve how tax professionals interact with the IRS. Through the use of technology, the agency is working to simplify and reduce burden on thousands of tax professionals and more than 4 million firms that send special information returns. Three e-services applications have been introduced:

**Registration:** Before using other e-services products, tax professionals must register on-line to create an electronic account. The registration process is a one-time process for tax professionals to select a user name, password and personal identification number. An on-screen acknowledgment immediately confirms the registration process. For security purposes, a confirmation code is also mailed to the tax professional to complete the registration process.

**Preparer Tax Identification Number Application:** The Preparer Tax Identification Number, or PTIN application, lets a paid preparer apply for and receive a PTIN immediately over the Internet. There is no longer the need to complete and mail a paper

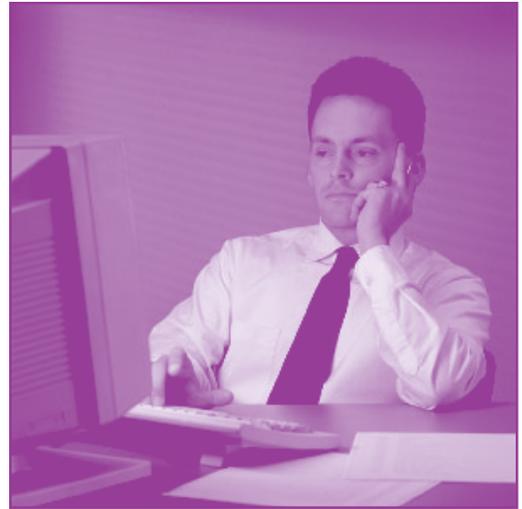
Form W-7P. It reduces processing time and input errors associated with a paper application. Anyone paid to prepare a tax return must sign the return and provide either a PTIN or a Social Security Number. The ability to substitute a PTIN for a Social Security Number began in 1999 to address concerns that clients and others outside the IRS could use a preparer's Social Security Number inappropriately.

**Interactive Taxpayer Identification Number Matching:** Interactive Taxpayer Identification Number Matching, or TIN Matching, is a new pre-filing service offered to banks or others that pay income subject to backup withholding. Authorized payers can match up to 25 taxpayer identification number and name combinations against IRS records before submitting an information return. Results of the match are returned within seconds. This pre-filing check prevents mismatches and possible penalties for the payer. In the past, only federal agencies could request TIN matching.

Future e-services include an online application for those who want to become authorized e-filers, an expansion of TIN Matching that allows bulk matching of thousands of taxpayer identification numbers within 24 hours and special incentive products for e-filers who file more than 100 electronic returns.

Tax professionals can register for e-services immediately through the Tax Professional's page at [www.irs.gov/](http://www.irs.gov/).

E-services joins several IRS Business Systems Modernization products already working to reduce



taxpayer burden and improve IRS employee's service to taxpayers. These new products and services include:

- **Customer Communications:** Modernized call systems cut by half taxpayers' call-waiting time and the number of abandoned calls. It also introduced bilingual voice recognition capabilities, which helped double the number of Spanish calls.
- **Where's My Refund?:** Provides taxpayers with their refund status over the Internet. Taxpayers used the service more than 17.6 million times in 2003.
- **Your 2003 Advance Child Tax Credit:** Gives taxpayers the status of their Advance Child Tax Credit checks over the Internet. 15 million taxpayers have used the service so far.
- **Customer Relationship Management:** Provided nearly 4,000 revenue agents with direct laptop access to tax computation software.
- **Internet EIN:** Allows small businesses and others to apply for and receive an employer identification number online. The IRS has issued more than 380,000 EINs through this online application process.

## Guidelines for faxed submissions

Based on requests from practitioners and other outside stakeholders, the IRS has adopted the following guidance on the acceptance of faxes by taxpayers and the practitioner community.

### General guidelines

These general guidelines apply to all divisions and cover operations related to income tax, employment tax, excise tax, estate tax, gift tax and generation skipping tax as well as tax exempt and employee plans determinations.

- Filing of original tax returns via fax will only be allowed as part of a return perfection process (e.g., securing a missing schedule or missing signature) initiated by the IRS or in the post-filing/non-filing activities described in next bullet. Tax returns can be received via fax as part of return perfection even if a taxpayer signature is required, provided that the IRS contact with the taxpayer has been made and documented.
- Submission of documentation, forms, letters and returns related to post-filing/non-filing inquiries and interactions can be allowed via fax based on taxpayer or IRS request unless there is a specific prohibition. This allowance applies to inquiries and interactions conducted by Field Assistance, Accounts Management, Compliance Services, Field Examination, Field Collection, Determinations Units, Appeals and the Taxpayer Advocate Service, or related to post-submission inquiries and interactions conducted by Employee Plans or Exempt Organizations in connection with an application for a

determination or a request for a ruling, Documentation, forms, letters and returns can be received via fax in these circumstances even if a taxpayer signature is required, provided that IRS contact with the taxpayer has been made and documented.

- The IRS will not acknowledge faxes received from taxpayers in the course of tax administration activities by a return fax. Exceptions can be made in unusual circumstances as determined by IRS management.

### Specific guidance on use of faxes in tax administration processes (Lists not all inclusive)

1. The following specific documents/forms/letters will continue to be accepted by fax in routine operations:

- EIN Requests (Form SS-4)
- Power-of-Attorney (Form 2848)
- Taxpayer Authorization (Form 8821)
- 1120S Election (Form 2553)
- Return/Transcript Requests (Form 4506)
- Request for Public Inspection or Copy of Exempt or Political Organization IRS Form (Form 4506-A)
- Foreign Certification Requests
- Appeals Conference Requests
- Responses/documentation needed to resolve filing or post-filing questions or correspondence.

2. The following specific documents/forms/letters can be accepted by fax if contact has been made with the taxpayer by phone or in-person and the taxpayer history file is documented with the date of contact and notation is made that the taxpayer wishes to send the document/form/letter by fax:

- Requests for Innocent Spouse Relief (Form 8857)
  - Taxpayer Statement About a Refund (Form 3911)
  - Injured Spouse Claim (Form 8379)
  - Installment Agreements (Form 433-D)
  - Collection Information Statement – Wage Earner (Form 433-A)
  - Collection Information Statement – Business (Form 433-B)
  - Early Referral Requests
  - Fast Track Mediation Requests
  - Request for Collection Due Process Hearing (Form 12153)
  - Letter to designate a payment
  - Letter to request non-filing of lien
  - Letter to request lien release
  - Letter to request lien withdrawal
  - Letter to request non-assertion of penalty
  - Letter to provide reasonable cause statement
  - Supporting Statement to Correct Information (Form 941C)
  - Election by a Small Business Corporation (Form 2553)
3. Consents to assess additional tax (Forms 4549, 870 and others) of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax. Consents to assess tax in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.
4. Taxpayer closing agreements involving tax amounts of \$25,000 or less can be accepted by fax if taxpayer contact has been made and the case history documents the

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**Guidelines for faxed submissions**

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date of contact and the desire of the taxpayer to submit the consent by fax. Closing agreements for tax amounts in excess of \$25,000 should be secured with original signatures that are delivered in person or by mail.

5. Employee Plan and Exempt Organization determination letter applications *will not* be accepted via fax.
6. Determination Letter Requests related to income tax, gift tax, estate tax, generation-skipping transfer tax, employment tax and excise tax matters *will not* be accepted via fax.
7. Consents to extend the statute of limitations for assessing tax (Form 872, SS-10 and other consent forms) *will not* be accepted via fax in normal operations.

**DECEDENT RETURNS**

**D**elays in processing returns filed for deceased taxpayers can be reduced or eliminated by writing the decedent's name, the word **deceased** and the date of death in the top left margin of page 1, Form 1040. Also include a completed Form 1310 if required. See Publication 559, *Tax Information for Survivors, Executors and Administrators*, for additional information. Including all of the required information will eliminate delays caused by corresponding for missing or incomplete information.

**Comprehensive tax guide available at IRS.gov**

The IRS' comprehensive tax guide for individuals has been updated for tax year 2003 and is available at **IRS.gov**/. IRS Publication 17, *Your Federal Income Tax*, has been published annually by the IRS for more than 60 years and has been available on the IRS Web site since 1996.

Publication 17 has been updated with important changes for 2003, including tax breaks for men and women serving in the military resulting from the Military Family Tax Relief Act of 2003, which was

signed into law on Nov. 11. Among other changes, Publication 17 explains the new dividend tax rates and provides the new lower income tax rates.

As in prior years, the publication provides information on how to file an individual tax return, what to include as income, how to calculate capital gains and losses, how IRAs and other expenses can affect how much income to report, whether to take the standard deduction or itemize, and how to figure taxes and credits.

**Find your 2003 Advance Child Tax Credit at irs.gov**

**T**axpayers who received an advance payment must reduce their 2003 child tax credit by the amount of the payment. To help taxpayers who may have forgotten the amount of their payment or misplaced the notice, *Your 2003 Advance Child Tax Credit* on **irs.gov** will be online through December 2004.

Using the IRS Web site, taxpayers can verify the amount of their advance child tax credit

payments by entering three personal identifiers — personal information shared only between the taxpayer and IRS:

- The taxpayer's Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN);

- The taxpayer's 2002 filing status; and
- The total number of exemptions (not dependents) claimed on the taxpayer's 2002 federal return.

*Your 2003 Advance Child Tax Credit* meets strict IRS security and privacy certifications. Safeguards include

locking site entries for 24 hours after a prede-

termined number of unsuccessful attempts if the personal identification information entered does not match IRS records. Taxpayers can avoid unsuccessful attempts by entering personal identification information exactly as shown on their 2002 individual federal income tax returns.



## Chart of Preparer Penalties (Part I)

The Tax Reform Act of 1976 provided the Service with penalty and enjoinder authority to more effectively monitor income tax return preparation. TEFRA 1982 added IRC sections 6700 and 6701 which are not limited solely to

income tax return preparers. These provisions are designed to promote a high standard in the preparation of returns for compensation and also address the problem of fraudulent, unscrupulous or incompetent preparers.

| Type of Penalty  | IRC Section | Amount   | Limitation   | Statute |
|--|-------------|--|--|---------|
| Promoting Abusive Tax Shelters   | 6700        | Lesser of \$1,000 or 100% of gross income derived from the promotion                                   | N/A  | N/A     |
| Aiding and Abetting Understatement of Tax Liability  | 6701        | \$1,000 per client individual return - \$10,000 per corporate client return                            | Only 1 penalty per preparer per client tax period                      | N/A     |
| Disclosure or Use of Information by Preparers of Returns   | 6713        | \$250 per disclosure   | \$10,000   | N/A     |
| Fraud and False Statements   | 7206        | Fine and/or imprisonment   | Not more than \$100,000 fine and/or not more than 3 years imprisonment | N/A     |
| Willful Delivery or Disclosure of Fraudulent Lists, Returns, Accounts, Statements, or Other Documents and Information to the IRS | 7207        | Fine and/or imprisonment   | Not more than \$10,000 fine and/or not more than 1 year imprisonment   | N/A     |
| Action to Enjoin Income Tax Return Preparers   | 7407        | Prohibit any person from further acting as an income tax preparer                                      | N/A  | N/A     |
| Action to Enjoin Promoters of Abusive Tax Shelters   | 7408        | Prohibit any person from further engaging in conduct subject to penalty under IRC § 6700 or IRC § 6701 | N/A  | N/A     |

## Chart of Preparer Penalties (Part II)

| Type of Penalty  | IRC Section | Amount   | Limitation   |
|--|-------------|--|--|
| Promoting Abusive Tax Shelters   | 6700        | Lesser of \$1,000 or 100% of gross income derived from the promotion                                   | N/A  |
| Aiding and Abetting Understatement of Tax Liability  | 6701        | \$1,000 per client individual return - \$10,000 per corporate client return                            | Only 1 penalty per preparer per client tax period                      |
| Disclosure or Use of Information by Preparers of Returns   | 6713        | \$250 per disclosure   | \$10,000   |
| Fraud and False Statements   | 7206        | Fine and/or imprisonment   | Not more than \$100,000 fine and/or not more than 3 years imprisonment |
| Willful Delivery or Disclosure of Fraudulent Lists, Returns, Accounts, Statements, or Other Documents and Information to the IRS | 7207        | Fine and/or imprisonment   | Not more than \$10,000 fine and/or not more than 1 year imprisonment   |
| Action to Enjoin Income Tax Return Preparers   | 7407        | Prohibit any person from further acting as an income tax preparer                                      | N/A  |
| Action to Enjoin Promoters of Abusive Tax Shelters   | 7408        | Prohibit any person from further engaging in conduct subject to penalty under IRC § 6700 or IRC § 6701 | N/A  |

### Office of Professional Responsibility

The Office of Professional Responsibility (OPR) investigates allegations of misconduct or negligence against tax practitioners who are attorneys, certified public accountants or enrolled agents and enforces the standards of practice for those who represent taxpayers before the IRS, as detailed in Circular 230. The office also licenses *enrolled agents*, who are tax professionals meeting certain testing or experience requirements.

As part of a broader effort to strengthen professional standards, Cono Namorato was selected as the Director of the Office of Professional Responsibility. From 1978 to 2003, Namorato was a member of

the Washington law firm of Caplin & Drysdale, representing and advising clients on criminal and civil tax matters. He began his career as an IRS special agent in Brooklyn from 1963 to 1968, then spent 10 years in the Justice Department's Tax Division, rising to the position of deputy assistant attorney general in 1977.

Combined with other changes involving Circular 230 and abusive tax shelters, Namorato's selection represents an important part of the IRS' continuing efforts to ensure high professional standards and build faith in the tax system.

Over the last year, staff of the Office of Professional Responsibility was doubled, and the director began

sitting on the IRS Enforcement Committee, a panel of senior agency executives who meet regularly to develop strategies on the top compliance problems facing the the IRS. The office will conduct a broader review of the IRS' overall relationship with the practitioner community.

For more information about the Office of Professional Responsibility, visit the Tax Professional's page at [irs.gov](http://irs.gov) and download Publication 947, *Practice Before the IRS and Powers of Attorney*, which describes in detail who can represent taxpayers before the IRS and what rules apply to professionals representing taxpayers. You may e-mail the Office of Professional Responsibility at [OPR@irs.gov](mailto:OPR@irs.gov).

## Rules issued to halt abusive tax avoidance transactions and tighten reins on tax advisers

On Dec. 29, 2003, the Treasury Department and the IRS issued four items of administrative guidance as part of their ongoing effort to halt abusive tax avoidance transactions and maximize effective use of IRS audit resources. The first of the items is aimed at strengthening the tax system through heightened standards for tax advisors. The other three are aimed at increasing transparency and disclosure of information to the IRS. Improved disclosure coupled with more effective use of the information disclosed are central to the Treasury Department and IRS's strategy for identifying abusive tax avoidance transactions early and addressing them promptly. In addition, the transparency that disclosure brings serves as a deterrent to abusive tax avoidance transactions.

"Taken together, these actions represent another significant step to end the proliferation of abusive tax avoidance transactions that has undermined confidence in our tax system," said Treasury Assistant Secretary for Tax Policy Pam Olson. "We are proposing a set of best practices that makes clear that tax professionals should adhere to the highest ethical standards and ensure that their clients are well-advised of the law and any risks they are taking."

**Proposed changes to Circular 230 that set high standards for the tax advisors and firms that provide opinions supporting tax-motivated transactions.**

- The proposed rules set out clear and specific requirements for tax opinions provided by attorneys and accountants and expectations for those with

supervisory responsibility for a professional services firm's tax practice.

- In an effort to halt the rush to the bottom that pervaded the 1990s and restore the confidence of the public in tax professionals, the proposed changes also describe best practices for tax advisors and call on professional services firms to put in place procedures for all of the firm's personnel that are consistent with these best practices.
- To ensure clients are well-advised, the proposed changes would obligate tax advisors to inform clients explicitly about what protections, if any, an opinion provides to the client. For example, tax advisors would have to advise clients about issues that the opinion does not address and warn the client if the opinion will not protect the client against penalties.
- The Treasury Department and the IRS are working with professional organizations to promote best practices among tax professionals through setting aspirational standards and self-regulation. The proposed changes would put in place a framework for that effort.
- The proposed changes replace changes proposed in January 2001. They reflect a careful consideration of the comments received on the January 2001 proposals and information gathered by the IRS in its audit of professional services firms' compliance with the tax shelter rules.
- **Final regulations that will increase the cost of failing to**

**disclose abusive tax avoidance transactions.** The regulations also apply to taxpayers who do not disclose that they have reported items on their tax returns that are based on the position that a Treasury regulation is invalid. Under the final regulations, for purposes of the imposition of penalties, a taxpayer's failure to disclose an abusive tax avoidance transaction is treated as a strong indication that the taxpayer acted in bad faith with respect to any additional tax owed as a consequence of the transaction. Similarly, taxpayers who do not disclose items that are based on advice that a Treasury regulation is invalid will be deemed to have acted in bad faith with respect to any additional tax that is owed as a consequence of those items.

"We are taking the administrative steps we can under current law to create downsides for those who choose not to disclose by making it clear that failing to disclose significantly increases the likelihood of penalties being imposed," continued Assistant Secretary Olson. "Having the IRS hunt for an abusive transaction hidden on a tax return is a waste of IRS resources. If a taxpayer is willing to enter into a transaction, then the taxpayer should be willing to disclose that transaction on its return."

- **Revised final regulations clarifying that the disclosure of confidential transactions on a return is limited to transactions for which a promoter has imposed confidentiality on a taxpayer to protect the**

*Continued on page 13*

## IRS offers on-line Pub 1045

Publication 1045, *Tax Professionals Guide for 2003 Federal Tax Products*, is now available along with the Form 3975, *Tax Professional Annual Mailing List Application and Order Blank*, on the IRS Web site at [www.irs.gov](http://www.irs.gov).

Tax professionals who are interested in a compilation of the most frequently requested business and individual forms and instructions can order Package X electronically at [www.irs.gov/bus\\_info/tax\\_pro/tprax/](http://www.irs.gov/bus_info/tax_pro/tprax/). Only current participants can use this method by entering their account number shown on the mailing label of a previous Publication 1045. New participants in the program should use the Form 3975. Once fully enrolled, they will be able to register on-line. The instructions for mailing Form 3975 can be found in Publication 1045.

For ordering products on-line, the addresses are:

- Package X: [www.irs.gov/bus\\_info/tax\\_pro/tprax](http://www.irs.gov/bus_info/tax_pro/tprax)
- Publication 1796, *IRS Federal Tax Products CD-Rom*: [www.irs.gov/cdorders](http://www.irs.gov/cdorders)
- Other tax products: <http://bookstore.gpo.gov/irs>

To check the status of a Package X order, call **1.800.829.3676** and ask for the Tax Practitioner Gate. The printed version of Publication 1045 is mailed in October. Package X Volume 1 is available in late December and Volume 2 is available in late January.

## Rules issued to halt abusive tax avoidance transactions *Continued from page 12*

**promoter's tax strategies from disclosure.** The revisions are intended to reduce unnecessary paperwork for taxpayers and advisors and to allow the IRS to focus its attention on transactions with potential for abusive tax avoidance, not on transactions for which confidentiality is required for non-tax reasons.

"We continue to believe that sunshine is the best disinfectant for abusive transactions," noted Assistant Secretary Olson. "Ensuring that the rules are focused appropriately on the transactions with potential for abusive tax avoidance will further that goal. Burdening taxpayers and burying the IRS with useless paper will not. As a consequence, we have narrowed the disclosure of confidential transactions to situations in which the promoter imposed confidentiality to keep the promoter's tax strategy out of view."

- **Proposed new Form 8858 requiring information reporting by U.S. persons that own foreign entities that are disregarded for U.S. tax purposes.** The need for information is not limited to the area of abusive tax avoidance transactions. Appropriately tailored disclosure and information reporting requirements provide the means to better focus the audit resources aimed at protecting the integrity of our tax system. Ready access to information allows the IRS to identify potential compliance issues efficiently and is critical to achieving the IRS's commitment to reducing the time needed to complete an audit. The proposed Form 8858 will be required for annual accounting periods beginning after Dec.

31, 2003. Comments on the text of the proposed new Form 8858 are requested from the public by March 1, 2004.

"Lack of information increases the time it takes for the IRS to identify and address potential compliance issues efficiently and effectively," Assistant Secretary Olson stated. "The proposed new form will increase transparency for offshore entities, allowing the IRS to better focus its resources and improve compliance. The disclosure will also have a deterrent effect."

"The Treasury Department has adopted measures that do as much as possible to stem abusive tax avoidance transactions without legislative change. We urge Congress to pass the legislation the Treasury Department and the IRS proposed in March 2002 to deter abusive tax avoidance and facilitate the upfront identification of questionable transactions," concluded Assistant Secretary Olson.

The following related items can be accessed from the Treasury Department Web site at <http://www.treas.gov/>:

- Circular 230: *Regulations Governing Practice before the Internal Revenue Service*
- 6011: *Final Regulations Clarifying the Rules Relating to Confidential Transactions*
- 6662-6664: *Final Regulations Intended to Promote Disclosure of Reportable Transactions*
- Announcement 2004-4: *Information Reporting With Respect to Foreign Disregarded Entities*:
- Form 8858, *Information Reporting With Respect to Foreign Disregarded Entities*
- Schedule M to Form 8858

## ELECTRONIC SIGNATURES

### Electronic Signature PIN Methods

For Tax Year 2004, the IRS will continue to offer two electronic signature (PIN) methods for individual taxpayers to sign their e-filed tax returns — the Self-Select PIN method and the Practitioner PIN method. Both methods eliminate the requirement for Form 8453, *U.S. Individual Income Tax Declaration for an IRS e-file Return*, and Form 8453OL, *U.S. Individual Income Tax Declaration for an IRS e-file Online Return*, by providing a totally paperless e-filed return.

The Self-Select PIN method allows taxpayers to electronically sign their e-filed return by creating a five-digit PIN as their signature. The PIN can be any five numbers except all zeros. Taxpayers can use the PIN whether they prepare their own taxes using a personal computer or have their taxes prepared by a tax professional. If filing a joint return, each taxpayer needs a PIN. The Self-Select PIN method requires the taxpayer to provide two sources of personal information to validate their identity — the prior year original Adjusted Gross Income and Date of Birth.

The Practitioner PIN method is an additional electronic signature option for taxpayers who use an Authorized IRS e-file Provider to e-file their tax returns. Taxpayers who choose this method are also required to select any five numbers except all zeros to use as their electronic signature, and each taxpayer needs a PIN for a joint return. Taxpayers who choose to use the Practitioner PIN method must complete Form 8879, *IRS e-file Signature Authorization*. The Date of Birth and the

*Continued on page 15*

## IRS Office of the Privacy Advocate

As the IRS continues to modernize its information systems and dramatically expand its electronic services to taxpayers and practitioners, the role of the IRS Privacy Advocate continues to increase in importance.

The commissioner created the Office of the Privacy Advocate in 1993 when concerns about the privacy of taxpayer information in a rapidly changing electronic environment first reached the IRS. That electronic environment has dramatically grown and evolved over the last decade and so have the robust privacy initiatives of the IRS.

The office is responsible for developing, promoting and supporting privacy programs and awareness throughout the IRS. The Privacy Advocate and staff work to make sure all IRS employees are aware of privacy policies and can flag potential privacy issues so that the privacy rights of taxpayers are protected.

In addition to enforcing a host of federal laws that protect the confidentiality of taxpayer information and stringent computer security procedures, the IRS goes a step further to protect your privacy and the privacy of your clients. The Office of the Privacy Advocate created the Privacy Impact Assessment (PIA), a tool designed to help systems developers and users within the IRS to identify and evaluate privacy risks in new and substantially modified IRS information systems. The PIA, which was recognized as a Best Practice by the Chief Information Officers Council in 2000, is the model for the privacy assessment enacted by Congress in the Electronic Government Act of 2002 and now required of all federal agencies. It is also increasingly being adopted by private industry and foreign governments.

Privacy initiatives, such as the

PIA, have resulted in the elimination of Social Security Numbers on IRS mailing labels as well as a reduction in information collected by a number of IRS systems. The office's efforts have also expanded privacy protections to third parties during compliance initiatives.

The office reviews IRS privacy notices which inform visitors to the IRS Web site ([www.irs.gov](http://www.irs.gov)) and the Registered User Portal about the types of information that may be collected. The office has participated significantly in all areas of IRS modernization and e-file programs, such as the free e-filing agreement between the IRS and a consortium of tax practitioners.

Whether taxpayers choose to file a return electronically or on paper, the Office of the Privacy Advocate seeks to ensure that:

- No personal information will be collected that is not necessary for tax administration or other legally authorized purposes;
- Information will be used only for the purpose for which it was collected or as specifically authorized by law; and
- Information will be collected, to the greatest extent practicable, directly from the individual to whom it relates. Information that is collected from third parties will be verified for accuracy with the subject whenever practicable before final action is taken.

The office continues building public trust by protecting the privacy rights of taxpayers. For questions, concerns or comments about IRS privacy practices or the way personal information is collected, maintained and used, please contact the office at [privacy.advocate@irs.gov](mailto:privacy.advocate@irs.gov) or write to: **Privacy Advocate (OS:PA), 1111 Constitution Avenue, N.W., Washington, DC 20224.**

## ELECTRONIC SIGNATURES

*Continued from page 14*

Adjusted Gross Income are not required for returns filed under the Practitioner PIN method.

Electronic Funds Withdrawal accompanying Form 4868 can be signed using the Practitioner PIN method. A Form 8878, *IRS e-file Signature Authorization on Application for Extension of Time to File U.S. Individual Income Tax Return*, must be completed by all taxpayers who use this method. (Note: There is no signature requirement for Form 4868 filers if there is no payment.)

EROs using the Practitioner PIN method must retain Form 8879 and Form 8878 for three years from the return due date or IRS received date, whichever is later.

### PIN Presence Indicator

The PIN Presence Indicator is present on all Acknowledgment File Key Record (ACK) Files regardless of whether a PIN was used or not. Every transmission will be acknowledged by the return of an ACK File to the transmitter. The ACK File will contain the following on accepted and rejected returns:

- 0 = No PIN (Form 8453 or 8453OL required)
- 1 = Practitioner PIN
- 2 = Self-Select PIN by Practitioner Used
- 3 = Self-Select PIN Online Used
- 4 = State Only (PIN, 8453/8453OL is NOT Required)
- Blank** = Return Rejected with a PIN

We encourage a thorough and attentive review of the ACK File to ensure the PIN method used was received successfully.

## Internal Revenue Service Advisory Council

The Internal Revenue Service Advisory Council (IRSAC) was originally called the Commissioner's Advisory Group (CAG) and was established in 1953 by former Internal Revenue Service Commissioner T. Coleman Andrews. The Council was renamed in 1998 to more accurately reflect its breadth and focus as an advisory body for the entire agency. The IRSAC is a "national policy/issue advisory committee," established by the Department of the Treasury and the Internal Revenue Service. Advisory committees of this type generally focus on broad policy matters. The IRSAC may review existing tax administration policy or recommend policies regarding emerging tax administration issues.

The IRSAC's primary purpose is to provide an organized public forum for IRS officials and representatives of the public to discuss relevant tax administration issues. The group suggests operational improvements, offers constructive observations about IRS' current or proposed policies, programs, and procedures, and advises the IRS on particular issues having substantive

effect on federal tax administration.

The IRSAC conveys the public's perception of Service activities to the IRS. The IRSAC's objectives continue to evolve. The group



addresses broad tax administration topics or organizational issues, rather than narrow technical issues. Discussions focus on solutions as well as constructive observations with respect to the tax administration system. Meetings provide an opportunity for the IRSAC to offer collective advice on strategic IRS issues.

The IRSAC is comprised of individuals from diverse backgrounds who bring a wide breadth of experience to the Council's activities. Periodically, solicitations for new IRSAC members are announced on [irs.gov](http://irs.gov) on the Tax Professionals' page.

## Information Reporting Program Advisory Committee

The final conference report for the Omnibus Budget Reconciliation Act of 1989 contained an administrative recommendation that the Internal Revenue Service (IRS) establish a federal advisory committee to discuss improvement to the information reporting program (IRP). As a result, the Information Reporting Program Advisory Committee (IRPAC) was established in 1991. The IRPAC is

administered by the National Public Liaison Office under the direction of the Chief of Communications and Liaison, IRS.

The primary purpose of the IRPAC is to provide a public forum for the IRS and members of the information reporting community in the private sector to discuss relevant information reporting issues.

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## FIND IT ALL AT 1040 CENTRAL

If you're searching for a form or looking for a client's refund, you can now go to just one place: *1040 Central* at [IRS.gov](http://IRS.gov). This new page is designed specifically for the individual taxpayers and for the tax professionals helping them. It pulls together much of the step-by-step information needed to prepare and file a return — and check on refunds.

At 1040 Central, you will find:

- *What's New This Year*, which highlights the latest tax law changes, tax tips, news releases and frequently asked questions;
- *Get Ready to File*, which provides links to information about the Earned Income Tax Credit, the 2003 Advance Child Tax Credit and commonly used forms and tax instructions;
- *File Your Return*, which provides links to IRS e-file and Free File, the free service provided by IRS partners in the tax software preparation industry;
- *After You File*, which includes the interactive Where's My Refund? that allows taxpayers to track the status of their refund;
- *More Assistance*, which helps taxpayers locate additional information sources.

At 1040 Central, you also will find easy access to IRS e-file information.

## IRPAC cont'd. *Continued from page 15*

The IRPAC advises the IRS on information reporting issues of mutual concern to the private sector and federal government. The Committee works with the Operating Division Commissioners and other IRS executives to provide information and recommendations on a range of issues regarding IRP administration. The IRPAC's advice is used to assist in the execution of IRP objectives while ensuring fairness to taxpayers.

The IRPAC is composed of seventeen members who represent various segments of the IRP community, from major national professional and trade associations to state tax agencies. The Committee is divided into four subcommittees that align with the IRS Operating Divisions and industry segments.

Periodically, solicitations for new IRPAC members are announced on [irs.gov](http://irs.gov) on the Tax Professionals' page.

## National Research Program

The National Research Program (NRP) is a comprehensive effort by the IRS to measure payment, filing and reporting compliance for different types of taxes and various sets of taxpayers. The first stages will focus on individual income taxes, while future stages will measure other taxes and other types of taxpayers.

The innovative program will be far less intrusive and burdensome on taxpayers than previous compliance studies. And it will help the IRS build better compliance programs to more effectively catch tax cheating and help ensure everyone pays a fair share.

Administering a tax system that serves America's taxpayers by promoting fairness and operating efficiently and effectively is dependent on the agency's ability to measure and distinguish between the many factors that impact compliance with the tax laws.

Without reliable measures, the IRS faces major challenges in improving its ability to detect noncompliance, improving overall compliance and developing methods for allocating resources more effectively.

NRP will measure the different types of compliance as follows

- Filing compliance will be measured using sample data from the Census Bureau.

- Payment compliance will be measured using information the IRS has available.
- Reporting compliance will be measured by analyzing a sample of tax returns.

For individual income tax audits, the no-change rate is going up. This means the IRS is devoting resources to auditing compliant taxpayers, which increases taxpayer burden and does not help improve overall compliance. NRP data will be used to update the formulas used for selecting returns for audit. (These current formulas are based on data from the late 1980s.)

The new NRP data will help reduce the burden of unnecessary IRS contacts on compliant taxpayers. An increasing number of taxpayers will be unnecessarily audited each year unless formulas for selecting audits can be updated.

Reporting compliance results will be collected to help the IRS identify some of the problems taxpayers have in complying with the tax laws. This will allow the IRS to address noncompliance by redesigning forms, suggesting law changes, improving communications with taxpayers and tax preparers, and focusing enforcement on intentionally non-compliant taxpayers.

The IRS will use existing resources in its audit program to implement NRP, and the NRP sample will account for

*Continued on page 17*

**National Research Program** *Continued from page 16*

only about 1.1 percent of the total audit-related contacts planned for the year. The IRS will rigorously test the methodology prior to implementation and ongoing reviews throughout the process will ensure that the data collected are high quality.

The NRP process will limit the burden on taxpayers selected to be in the NRP sample by making maximum use of data the IRS already has collected:

- Through extensive case-building, well-trained NRP examiners will be able to determine that some taxpayers have plausibly met their reporting responsibility

without resorting to an intrusive audit.

- Other taxpayers will receive correspondence from NRP examiners to support items that cannot be otherwise verified.
- Other taxpayers will have complicated tax returns with significant items that NRP examiners can verify only with a face-to-face audit. However, these audits will generally be no more burdensome than ordinary operational audits, due to the case-building activities that NRP examiners will have done in advance of the audit. This

case-building will allow examiners to focus more attention on questionable items and should improve examiner productivity.

In the most cost-effective and least burdensome manner possible, NRP intends to provide the IRS with current, reliable data on filing, payment and reporting compliance. These data will support the IRS's commitment to apply its limited resources where they are of most value in reducing noncompliance while ensuring fairness, observing taxpayer rights and reducing the need to burden honest taxpayers.

**Taxpayer rights a priority for the IRS**

The law requires the IRS to protect taxpayer rights, and in its day-to-day operations, the IRS and its employees make taxpayer rights a top priority. This includes explaining those rights to taxpayers, keeping taxpayer information private and confidential and being professional and courteous.

Besides what is expected of IRS employees, taxpayers have many other rights. They have the right to have someone represent them before the IRS and to accompany them to any meeting with IRS employees. When there is a disagreement, they have the right to request that the independent IRS Appeals office review the case. Taxpayers who still disagree can put their case before the court system.

Taxpayers who have been unsuccessful in resolving issues with the IRS through normal channels have the right to contact the National Taxpayer Advocate's Help Line at **1.877.777.4778**. The Taxpayer Advocate can offer special help if an IRS action is causing the taxpayer

significant hardship.

To let taxpayers know about their rights, the IRS produces Publication 1, *Your Rights as a Taxpayer*. The Spanish-language version is Publication 1SP. These publications, which highlight taxpayer rights and related IRS programs, are available on the IRS Web site at [www.irs.gov](http://www.irs.gov) or by calling **1.800.TAX.FORM (1.800.829.3676)**. Information on the Taxpayer Advocate Service is also available on the Web site.

**Appeal rights**

If you are in the middle of a disagreement with the IRS, you are guaranteed the right to appeal. If you disagree with the IRS about the amount of your tax liability or about proposed collection actions, you have the right to ask the IRS Appeals Office to review your case.

IRS Publication 1, *Your Rights as a Taxpayer*, explains some of your most important taxpayer rights. During their contact with taxpayers, IRS employees are required to explain and protect these taxpayer rights, including the right to appeal.



The IRS appeals system is for people who do not agree with the results of an examination of their tax returns or other adjustments to their tax liability. In addition to examinations, you can appeal many other things, including:

- Collection actions such as liens, levies, seizures, installment agreement terminations and rejected offers-in-compromise
- Penalties and interest
- Employment tax adjustments and the trust fund recovery penalty

Appeals conferences are informal meetings. The local Appeals Office, which is independent of the IRS office that proposed the disputed action, can sometimes resolve an appeal by telephone or through

*Continued on page 21*

## LMSB At-a-Glance

### Mission:

The Large & Mid-Size Business Operating Division is a world class organization responsive to the needs of customers in a global environment, while applying innovative approaches to customer service and compliance. We will apply the tax law with integrity and fairness through a highly skilled and satisfied workforce in an environment of inclusion, where each employee can make a maximum contribution to the mission of the team.

### Strategic Priorities:

- Strategic Initiative # 1: Develop/enhance methodologies to identify the LMSB compliance risks and use productivity improvements to ensure the most efficient and balanced use of LMSB reporting compliance resources in addressing these risks.
- Strategic Initiative # 2: Build a tax administration to deal effectively with globalization.
- Strategic Initiative # 3: Develop and institutionalize a comprehensive issue management strategy.
- Strategic Initiative # 4: Recruit, develop and retain a highly skilled and satisfied workforce.
- Strategic Initiative # 5: Combat abusive tax avoidance transactions (ATAT) by providing early-investing guidance, addressing shelters at the promoter level, and increasing the strength of ATAT issue development.

### Management Team:

**Deborah M. Nolan**

Commissioner

**Frank Ng**

Acting Deputy Commissioner

Mint Building

801 9th St. NW, 4th Floor

Washington, DC 20220

### LMSB Headquarters Office:

**Robert H. Green**

Director, International

**Elvin Hedgpeth**

Deputy Director, International

**Kelly Cables**

Director, Performance, Quality & Innovation

**Kathy Petronchak**

Acting Director, Pre-Filing and Technical Guidance

**Dick Teed**

Deputy Director, Strategy, Research, and Program Planning

**Susan Linden**

Director, Communications & Liaison

**Jim O.Malley**

Director, Management and Finance

**Jim Gaul**

Division Information Officer

**Dave Bass**

Director, Business Systems Planning

**JoAnne Johnson-Shaw**

Director, EEO & Diversity

**Cindy Mattson**

Division Counsel

### Industry Operations:

*Retailers, Food, Pharmaceutical and Healthcare*

**Robert E. Brazzil**

Director

Downers Grove, IL

**Jim Sevier**

Director, Field Operations

Downers Grove, IL

**Henry Singleton**

Director, Field Operations

Laguna Niguel, CA

*Natural Resources and Construction*

**Bobby L. Scott**

Director, Field Operations

Houston, TX

**Paul Cordova**

Director, Field Operations

Houston, TX

**Mary Tapley**

Director, Field Operations

Laguna Niguel, CA

### Financial Services

**Paul DeNard**

Director

New York, NY

**C. Weiss**

Acting Director, Field Operations

New York, NY

**Pat Chaback**

Director, Field Operations

New York, NY

### Heavy Manufacturing and Transportation

**John Petrella**

Director

Iselin, NJ

**Doug O'Donnell**

Director, Field Operations

Iselin, NJ

**Jack Schroeder**

Director, Field Operations

Detroit MI

### Communications, Technology and Media

**Thomas Wilson**

Director

Oakland, CA

**Joann Bank**

Director, Field Operations

Oakland, CA

**Walter Harris**

Director, Field Operations

New York, NY

### Field Specialists

**Keith Jones**

Director

Washington, DC

### Taxpayer Profile:

- Corporations, Subchapter S corporations, and partnerships with more than \$10 million in assets.
- The largest business taxpayers interact with the IRS on an ongoing basis.
- Most have in-house tax divisions. Major issues are tax law interpretation, accounting and regulatory issues.

## TE/GE At-a-Glance

The Tax Exempt and Government Entities (TE/GE) Division of the IRS, comprising the Employee Plans (EP), Exempt Organizations (EO) and Government Entities (GE) divisions, administers the tax law provisions that affect the specialized customers it serves. These customers range from small, local tax-exempt organizations to major universities, pension funds, state governments, Indian tribal governments and complex tax-exempt bond deals. Examples of areas where TE/GE provides customer assistance are:

- EP: retirement plans such as 401(k), 403(b), 457, SEP, SIMPLE and defined benefit pension plans;
- EO: charities, private foundations, other nonprofit organizations;

- GE: federal, state and local governments (FSLG), Indian tribal governments (ITG) and tax-exempt bonds (TEB) for the municipal finance community.

For direct technical assistance on any of these subjects, call TE/GE's Customer Account Services toll-free line at **877.829.5500**, Mon.-Fri. 8:00 a.m. to 6:30 p.m. ET.

**Note:** TE/GE customers are tax-exempt entities, retirement plan administrators and sponsors, etc. TE/GE customers are not the individuals who contribute to charities or the individuals who are participants in employer-sponsored retirement plans. For questions pertaining to individual taxpayers on such issues, call **1.800.829.1040**.

You can also access the following Web sites for information on technical guidance, compliance programs,

specialized education programs and services, seminars, workshops, forms and publications and more:

- EP: [www.irs.gov/ep](http://www.irs.gov/ep)
- EO: [www.irs.gov/eo](http://www.irs.gov/eo)
- FSLG: [www.irs.gov/govts](http://www.irs.gov/govts)
- ITG: [www.irs.gov/tribes](http://www.irs.gov/tribes)
- TEB: [www.irs.gov/bonds](http://www.irs.gov/bonds)

### Leadership Team:

**Evelyn A. Petschek**

Commissioner

**Richard J. Morgante**

Deputy Commissioner

**Carol D. Gold**

Director, Employee Plans

**Steven T. Miller**

Director, Exempt Organizations

**Chuck Peterson**

Director, Government Entities

**John Ricketts**

Director, Customer Account Services

## W&I At-a-Glance

### Mission:

The Wage and Investment Operating Division (W&I) will educate and assist our customers in understanding and satisfying their tax responsibilities. We will provide this service in a high quality, fair and equitable manner through partnership between management, employees and stakeholders.

### Strategic Priorities:

- Meeting demands for assistance by providing better and more specialized services to individual taxpayers and emphasis on customer segment needs.
- Resolving accounts earlier and more accurately through integrated case processing and use of linkages within the service.

- Implementing appropriate compliance processes.
- Improving electronic filing and communications services.

- Providing the W&I workforce with the necessary tools for serving taxpayers and administering the tax code and enhancing employee skills through training.

**Headquarters:** Atlanta, Georgia

### Management Team

**Henry O. Lamar**

Commissioner

**John Duder**

Deputy Commissioner

**Frank Spiegelberg**

Senior Operations Advisor

**Ronny Rhodes**

Director, Customer Account Services

**Ty Ayers**

Director, Customer Assistance, Relationships and Education

**Linda Stiff**

Director, Compliance

### Area Headquarters Offices:

- Hartford
- Indianapolis
- St. Louis
- Greensboro
- New Orleans
- San Francisco Bay area

### Taxpayer Profile:

- Some 94 million filers, representing 120 million customers, including those who file jointly.
- Most pay taxes through withholdings and interact with the IRS once a year.
- More than 75 percent prepare their own returns and receive refunds.

## SB/SE At-a-Glance

### Mission:

The mission of the Small Business/Self-Employed (SB/SE) Operating Division is to provide SB/SE customers top-quality service by educating and informing them of their tax obligations, developing educational products and services, and helping them understand and comply with applicable laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

The Small Business/Self-Employed operating division, headquartered in New Carrollton, Md., is structured to best serve taxpayers whose needs are more complex than wage and investment taxpayers.

This division will serve about seven million small businesses, including corporations and partnerships with assets of \$10 million or less. While many face the same tax issues as large corporations, they often do not have tax professionals on staff. Tax compliance issues often stem from a lack of understanding of tax law requirements, inadequate accounting practices and resources and cash flow problems.

The approximately 33 million self-employed and supplemental income earners are similar to wage and investment taxpayers, but their tax issues are often more complex. They have substantially higher incomes and file twice the number of forms and schedules, requiring more time to prepare taxes, a greater reliance on paid tax

preparers and more IRS expertise.

SB/SE will also serve estate and gift taxpayers, fiduciary returns and individuals with international tax returns. SB/SE will focus on its mission of providing top quality, tailored service to this taxpayer segment through more qualified and better equipped employees.

**Taxpayer Education and Communication (TEC) Organization.** Provide professional service; implement programs based on analysis of customer needs; prevent problems with consistent guidance to stakeholders and taxpayers and timely and effective communication.

**Customer Account Services (CAS).** Process returns and assist taxpayers, including customized services provided by a staff focused on issues relevant to SB/SE taxpayers.

**Compliance.** Increase overall compliance and fairness; and provide educational guidance and outreach through empowered, flexible, and accountable employees and a tailored approach. Compliance consists of three organizational units: Compliance Policy, Compliance Field and Compliance Services

### Management Team:

**Dale Hart**

Commissioner

**Martha Sullivan**

Acting Deputy Commissioner

**Bobby Hunt**

Director, Taxpayer Education and Communication

**John Crawford**

Director, Customer Account Services

**Ellen Bell**

Deputy Director, Customer Account Services

**Marsha Ramirez**

Acting Director, Field Compliance

**Tom Hull**

Acting Director, Compliance

**Joe Brimacombe**

Deputy Director, Compliance Policy

**Jim Dumais**

Director, Business Systems Planning

**Christina T. Mollett**

Director, EEO and Diversity

**Beth Tucker**

Director, Communications and Liaison

**Tom Thomas**

Division Counsel (SB/SE)

**John E. Binnion II**

Director, Management & Support

**Brady R. Bennett**

Director, Strategy & Finance

**Pamela J. Larue**

Director, Strategy, Research and Performance Management

**Charles P. Pautler, Jr.**

Director, Research

### Area Headquarters Offices:

Baltimore, Dallas, Jacksonville, Nashville, Seattle, Boston, Denver, Laguna Niguel, Philadelphia, St. Paul, Chicago, Detroit, Manhattan, San Francisco Bay area, Los Angeles, Washington, International area office in Puerto Rico, Field Offices throughout the nation.

## Right to appeal

*Continued from page 17*

correspondence.

The IRS also offers an option called *Fast Track Mediation*, during which an appeals or settlement officer attempts to help the taxpayer and the IRS reach a mutually satisfactory solution. Most cases that are not docketed in court qualify for fast track mediation. Fast Track Mediation doesn't eliminate or replace existing dispute resolution options, including your opportunity to request a conference with a manager or a hearing before Appeals. You may withdraw from the mediation process at any time.

When attending an informal meeting or pursuing mediation, you may represent yourself, or you can be represented by an attorney, certified public accountant or individual enrolled to practice before the IRS. If you represent yourself, you can obtain assistance from specially trained customer service representatives. Find their telephone numbers at [www.irs.gov/appeals/](http://www.irs.gov/appeals/).

If you and the IRS Appeals officer cannot reach agreement, or if you prefer not to appeal within the IRS, you may take your disagreement to federal court. But taxpayers can settle most differences without expensive and time-consuming court trials.

Further information on the appeals process is available in IRS Publication 5, *Your Appeal Rights and How to Prepare a Protest If You Don't Agree*, Pub. 556, *Examination of Returns, Appeal Rights and Claims for Refunds*, Pub. 1660, *Collection Appeal Rights (for Liens, Levies, and Seizures)*, and Pub. 3605, *Fast Track Mediation*. To get copies of IRS publications, visit [www.irs.gov](http://www.irs.gov) or call toll-free **1.800.TAX.FORM (1.800.829.3676)**.

## NPL At-a-Glance

The National Public Liaison Division, under the chief, Communications and Liaison, works to enhance the IRS' relationships with national stakeholders and federal partners to create opportunities to meet stakeholder needs and to resolve issues of mutual concern.

Beanna Whitlock, a tax professional and enrolled agent with more than 35 years experience, serves as Director of National Public Liaison, bringing her years of experience representing taxpayers to support IRS' critical partnership with tax professionals.

National Public Liaison maintains daily contact with IRS' national stakeholders (practitioner, payroll and business organizations). This ongoing contact helps the IRS expand valuable relationships, coordinate stakeholder contacts with the IRS, trouble-shoot issues and communicate key corporate messages. National Public Liaison also manages the IRS Advisory Council

and the Information Reporting Program Advisory Committee (described on page 15) and the IRS Nationwide Tax Forums (described on page 49). The office works with external stakeholders to identify partnering opportunities; provide a forum for new ideas and feedback; gather information and track issues.

The Office accomplishes its objectives by coordinating meetings, tracking issues and sharing information with external and internal stakeholders. It hosts bi-monthly meetings between stakeholders and IRS program offices; arranges annual individual liaison meetings between practitioner organizations and the commissioner, chief counsel and other executives; and coordinates IRS presence at stakeholder meetings to ensure that current and accurate information is shared.

To contact National Public Liaison, call **202.622.3359** or e-mail [\\*public\\_liaison@irs.gov](mailto:public_liaison@irs.gov).

## Electronic information services

As digital communication becomes more and more a part of our lives, the IRS continues to come up with new and improved ways to use new technology to make life easier for taxpayers and tax preparers.

The *Tax Professionals' page (www.irs.gov)* is designed to help practitioners find what they need on the IRS Web site. The site has fill in the blank forms as well as forms to download and print. There is also a *Withholding Calculator* to help taxpayers determine the number of exemptions to take.

## 2003 Tax Products CD-ROM

Publication 1796, *Federal Tax Products CD-ROM*, contains fill-in-

the-blank tax forms, portions of the Internal Revenue Manual, market segment guides and tools for the tax professional.

Publication 1796 can be purchased from the National Technical Information Service (NTIS) for \$22 through the IRS Web site at [www.irs.gov](http://www.irs.gov) or by calling **1.877.233.6767**.

## Electronic payment options for individuals

Individuals can pay taxes electronically by authorizing an electronic funds withdrawal from a checking or savings account or by using a credit card. These e-payment options can be used to:

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## Electronic information services

*Continued from page 21*

- pay taxes owed on a 2003 income tax return.
- pay projected tax due when requesting an automatic extension of time to file.
- pay estimated taxes for Tax Year 2004.

In addition to the above tax payments, credit cards can be used to pay taxes owed on prior tax year 2002 returns as well as to make a payment on an active Installment Agreement for past due tax owed for tax years 2000 and after.

The IRS has entered into partnerships with private industry, including tax preparation software developers and credit card processors, to make these electronic payment options available.

- More than 1.2 million people paid their federal taxes by electronic funds withdrawal or credit card during 2003, up from 750,000 last year, a 60 percent increase over the prior year.

### Electronic Funds Withdrawal

Electronic funds withdrawal is free and the taxpayer decides when the tax payment is withdrawn from the bank account. Electronic funds withdrawal is only available to those who e-file, either by computer or by phone. A taxpayer may e-file early and, at the same time, schedule the withdrawal as late as April 15, 2004. For returns filed after April 15, the payment is effective on the filing date. A 2004 estimated tax payment can be made through electronic funds withdrawal only when filing a 2003 tax return via computer, whether or not there is a balance due on the return. The estimated tax payment may be the one due in April, June or September. Only one

estimated tax payment can be made through electronic funds withdrawal. This payment cannot be made by phone.

- In 2003, 629,076 taxpayers paid their taxes through electronic funds withdrawal, an increase of 48 percent over the prior year.

### Credit Card Payments

Taxpayers can make credit card payments whether they file electronically or file a paper return. Credit Card payments can be submitted via tax software when filing electronically. Credit Card payments can also be made over the telephone and Internet.

- In 2003, 559,566 taxpayers paid by credit card, an increase of 78 percent over the prior year.

The IRS does not set or collect any fees for credit card payments, but the private sector companies the IRS has authorized to process these payments do impose convenience fees. The tax payment sent to the U. S. Treasury and the convenience fee are listed separately on the cardholder's credit card statement.

Some tax software developers offer integrated e-file and e-pay combinations for those who want to pay a balance due with a credit card. The software accepts both the electronic tax return and the credit card information. Subsequently, the tax return and tax payment data are forwarded to the IRS and the credit card data is forwarded to the payment processor.

For the 2004 filing season, the IRS has authorized two companies to accept credit card charges from both electronic and paper filers. Each offers both phone and Internet

payment services. Anyone may use these services to charge taxes to an American Express Card, Discover Card, MasterCard or Visa account.. Fees may vary by service provider.

- Official Payments Corporation: **1.800.2PAY.TAX (1.800.272.9829)**  
**1.877.754.4413** (Customer Service)  
[www.officialpayments.com/](http://www.officialpayments.com/), and
- Link2Gov Corporation: **1.888.PAY.1040 (1.888.729.1040) 1.888.658.5465** (Customer Service)  
[www.PAY1040.com/](http://www.PAY1040.com/).

### Electronic Federal Tax Payment System

The Electronic Federal Tax Payment System (EFTPS) offers another way for taxpayers to pay Federal taxes. EFTPS is a free service, available year round to individual and business taxpayers. Once enrolled, taxpayers can schedule one-time or recurring electronic withdrawal payments such as estimated tax payments and installment agreement payments. For additional information, visit [www.eftps.gov](http://www.eftps.gov).

The IRS e-file section of the IRS Web site — [www.irs.gov](http://www.irs.gov) — has more information about IRS e-file, the self-select PIN, private sector partnerships and electronic payments — just click on the IRS e-file logo.

## e-news for practitioners

### Join the IRS e-News for Tax Professionals mailing lists

The Internal Revenue Service maintains an electronic mail service designed to provide localized, targeted and immediate information for tax professionals specifically for your geographic area.

To subscribe to local mailing lists, go to the *Tax Professional's* page of [irs.gov](http://irs.gov) and click on the *Subscription Services* topic and then *e-News for Tax Professionals*. Use the sign-up form provided for your state. Additionally, we highly recommend you also subscribe to the *IRS Digital Dispatch*, our national list server. The *Digital Dispatch* provides national tax news and information about new developments on the IRS Web site.

## CREDIT CARD PAYMENT OPTIONS

Taxpayers who charge payments made with automatic extensions of time to file or estimated tax payments on a credit card should not file paper Forms 4868 or 1040-ES.

## EFTPS-OnLine: Pay your taxes over the Internet

If you're going to owe taxes when you file your federal tax return, consider paying over the Internet through the Electronic Federal Tax Payment System (EFTPS). EFTPS-OnLine is fast, easy, convenient and secure. The government does not charge for this service.

You can enroll in EFTPS-OnLine via an official government site on the Internet, using a user-friendly Web interface. After enrollment, you will receive a confirmation kit by mail with instructions for obtaining an Internet password. For added security, a unique Personal Identification Number (PIN) will be mailed to you. Your private tax information is protected — the EFTPS site exceeds private industry best practices.

With EFTPS-OnLine, you can pay any balance due and any estimated tax payments. It also allows individual taxpayers to schedule payments up to 365 days in advance. Other features include an instant, printable EFT Acknowledgment Number as documentation of every transaction and access to

payment history for up to 120 days for individuals.

EFTPS also offers a choice of convenient electronic payment methods



in addition to the Internet: by phone, through free EFTPS-PC software, or through a service offered by your financial institution.

The system is available 24 hours a day, 7 days a week and is also available to business taxpayers. So, individuals and businesses can pay their taxes virtually anytime, from virtually anywhere.

For more information, visit the EFTPS Web site at [www.eftps.gov](http://www.eftps.gov) or call toll free 1.800.555.4477 or 1.800.945.8400.

## New Electronic Payment Program for business taxpayers

The IRS has launched a new program for new business taxpayers designed to boost electronic payment of taxes. This development offers some taxpayers new, quicker access to an electronic payment system.

This initiative uses the Electronic Federal Tax Payment System (EFTPS), a service offered free by two bureaus of the U.S. Department of the Treasury, the IRS and the Financial Management Service (FMS). In fiscal year 2003, Treasury collected more than \$1.5

trillion in electronic tax payments through EFTPS, and this new initiative will help increase growth in those numbers in tax year 2004. EFTPS enables taxpayers and tax professionals to make federal tax payments electronically online, by phone or with batch provider software for professionals.

EFTPS Express Enrollment for New Businesses will affect all businesses receiving a new Employer Identification Number (EIN). Business taxpayers

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## New Electronic Payment Program for business taxpayers

Continued from page 23

with a federal tax obligation will be automatically pre-enrolled in EFTPS to make all their Federal Tax Deposits.

In addition to receiving their EIN, taxpayers will also receive a separate mailing containing an EFTPS Personal Identification Number (PIN) and instructions for activating their enrollment. New business taxpayers will activate their enrollment by calling an 800-number, entering their banking information and completing an authorization for EFTPS to transfer funds from their account to Treasury's account for tax payments per their instructions.

"There are approximately 250,000 new EINs issued every year. With EFTPS Express Enrollment, we are making it even easier

for business taxpayers to make their business payments electronically," said IRS Commissioner Mark W. Everson.

"Paying taxes using EFTPS means 19 times greater accuracy," said Dick Gregg, FMS Commissioner. "Greater accuracy means fewer penalties. I encourage individuals and businesses to enroll today."

Taxpayers can enroll in EFTPS by visiting EFTPS-OnLine at [www.eftps.gov](http://www.eftps.gov), or by calling EFTPS Customer Service at **1.800.555.4477** or **1.800.945.8400** to receive an enrollment form by mail.

EFTPS was introduced in 1996, and since that time more than 4.4 million taxpayers have enrolled in

the system to make their federal tax payments electronically. In fiscal year 2003, EFTPS processed more than 68.5 million transactions totaling more than \$1.5 trillion. Taxpayers can make payments 24 hours a day, 7 days a week from home or office; schedule payments up to 120 days in advance (for businesses) or 365 days in advance (for individuals); review the last 16 months of tax payment history online or by calling Customer Service. In addition, taxpayers receive an immediate acknowledgement number for every EFTPS transaction for easy record keeping and as proof of the transaction. EFTPS is ideal for all business taxpayers and for individual taxpayers who make Form 1040 ES quarterly estimated payments.

## e-file for business means less paperwork

In the 21st Century, you can run your entire business electronically. So why not file your business taxes the same way? Now business taxpayers and tax preparers can file and pay by telephone, by Internet or by PC software. It's more economical with less paperwork. It's more efficient with increased accuracy. And it's more effective since you will spend less time filing tax returns and more time focused on your business.

You will find that most small business filing requirements can be submitted electronically. For example:

- Self-Employed Income Tax Returns (Form 1040, Schedules C and F)
- Partnership Income Tax Returns (Form 1065 and most related forms)
- Employment Tax Returns (Forms 940/941)
- Certain Information Returns

(e.g., Forms 1098, 1099, W2-G), using the Filing Information Returns Electronically (FIRE) system

Some advantages of going all electronic are:

- **Increased Accuracy:** IRS computers quickly and automatically check for errors or other



### for Business

missing information, making *e-file* returns more accurate and reducing the chance of getting an error letter from the IRS.

- **Quick Electronic Confirmation:** Computer e-filers receive an acknowledgment that the IRS has received their returns. Callers using TeleFile receive a confirmation number while they're still

on the phone, letting them know that the TeleFile system has accepted their return.

- **Delete the Paperwork Through Electronic Signatures:** Taxpayers can create their own Personal Identification Number (PIN) and file a completely paperless return using their tax preparation software or a tax professional. There is nothing to mail to the IRS.

If you are a business taxpayer, ask your tax preparer about *e-filing*. If you are a tax professional, ask your software developer about adjusting your programs to take advantage of electronic filing. And to find out more, visit [www.irs.gov](http://www.irs.gov), and click on the *e-file* logo. You will also find a listing of Approved IRS *e-file* for Business Providers at <http://www.irs.gov/efile/index.html>

## Become an Authorized IRS e-file Provider

### Why IRS e-file?

- e-file brings you customers — and Tax Professionals who e-file report using an average of 10 minutes less per return.
- Quick — Your customers get their refunds in half the time.
- Easy — Just hit “Send.”
- Smart — IRS provides an official acknowledgement that your client's return was received. And, through integrated e-file and pay options, you can help your client e-file and pay at the same time! 37 million returns were e-filed by tax professionals in 2003!

As taxpayer demand for IRS e-file grows, there are many ways you can meet the expectations of your clients and participate in this important trend as an Authorized IRS e-file Provider.

### Getting started

The IRS issues a Handbook for Authorized IRS e-file Providers, Publication 1345, that contains the rules for participating in the IRS e-file program. Please read it before doing anything else.

### Step 1: Choose the Authorized IRS e-file Provider options that are best for you

An Authorized IRS e-file Provider can be an Electronic Return Originator, Intermediate Service Provider, Transmitter, Software Developer or Reporting Agent. Be sure to include all your choices on the application form.

**Electronic Return Originators (EROs)** originate the electronic submission of income tax returns to the IRS. An ERO may originate the electronic submission of income tax returns that are either prepared by the ERO firm, or collected from a taxpayer.

**Intermediate Service Providers** receive tax return information from EROs or from taxpayers who file electronically from home using their personal computers, either on

an On-Line Site or by using commercial tax preparation software. Intermediate Service providers process the tax return information and either forward the information to a transmitter or send the information back to the EROs or taxpayers.

**Transmitters** — Once the return is prepared, the income tax return data is sent to the IRS by a Transmitter. Transmitters must have software and modems that allow them to connect with IRS computers. EROs may apply to be transmitters and transmit return data themselves or they may contract with accepted third-party transmitters who will transmit the data for them. Transmitters, who transmit returns filed from home by taxpayers using tax preparation software, are called *On-Line Filers*.

**Software Developers** — Software Developers write the programs to IRS specifications that make IRS e-file and Federal/State e-file possible. The IRS and participating states require that all software pass a series of tests each year. Once approved, this software may be sold and used by EROs, Reporting Agents, Intermediate Service Providers and Transmitters. Federal/State Software Developers must register and test with participating states' electronic filing programs.

**Reporting Agents** — A Reporting Agent is an accounting service, franchiser, bank or other person authorized to electronically prepare a Form 940/941 for a taxpayer.

### Step 2: Submit Form 8633

The form asks for basic information about your business and the provider options you have chosen. It is also used to notify IRS of changes in your business. It is important that you update your application whenever changes occur by revising your Form 8633 (paper Form 8633 or e-file application online), or by mailing

the changes on your company letterhead to the Andover Campus, signed by a firm official. You may also call toll-free **1.866.255.0654** to make changes.

### Step 3: Pass a Suitability Background Check

When you apply to become an ERO, Transmitter, Reporting Agent or Intermediate Service Provider, the IRS conducts a background check on all principals of your firm and responsible officials listed on the application to determine their suitability to be an Authorized IRS e-file Provider. If you apply to be a Software Developer only, a suitability check is not required.

Application forms may be submitted year round. Since processing the applications and completing the suitability background checks can take up to 45 days, you should apply no later than 45 days before the date you intend to begin filing returns electronically (business and/or individual); so that you will be accepted in time to begin e-filing for your filing season.

Once you are accepted into the program, there is no need to reapply. When the IRS receives the application form, we will acknowledge receipt with a letter, assign identification numbers, after suitability is passed, and where applicable, issue a password for testing based on the provider options you have chosen.

Form 8633, *Application to Participate in the IRS e-file Program for Individual and Business Tax Returns*, Frequently Asked Questions and Answers for Form 8633, as well as a Quick Reference Chart, *When to Complete Form 8633*, are available at **irs.gov**/. Just click on the e-file logo.

Still have questions? Call the e-Help Desk at **1.866.255.0654** (toll free) for assistance.

# Tax Fraud Alert: Fraudulent e-file returns on the rise

## Return preparers and financial institutions should be on alert!

The IRS wants to make return preparers and the financial institutions offering refund anticipation loans (RALs) aware of a growing fraud area that may affect you. There has been a significant increase in the number of fraudsters filing completely false returns based on bogus documents. This is being done for the sole purpose of obtaining illegal refunds, mainly in the form of refund anticipation loans so they can get the money as fast as possible.

In these schemes, the fraudulent tax returns are being used as the vehicle for obtaining the loans which are the proceeds for the perpetrators of these crimes. When the RAL is paid by the financial institution, the fraudsters disappear, leaving the return preparer and the financial institution incurring a loan loss if the refund is not issued. And the vast majority of these fraudulent refunds are stopped by the IRS so the loans are never paid.

This crime is increasing at a disturbing rate. Last year, one in every 966 e-filed returns was fraudulent. While just three years ago, that number was one in 4,789.

The vast majority of fraudulent e-file returns are being transmitted by practitioners who offer e-file. During the 2003 filing season, a total of 55,904 fraudulent returns were e-filed. Of those, 78 percent came through practitioners. In addition, there were 212 unique Electronic Filing Identification Numbers (EFIN) that transmitted more than 50 fraudulent returns.

As a tax practitioner offering e-file and RALs, please practice due diligence and be on guard to stop fraudulent returns from being filed through your EFIN. To prevent fraud, you should look closely at all documents, particularly those authenticating the identity of the taxpayer, and question suspicious activity. The following may be indications of fraudulent activity:

- W-2s that are typed, handwritten, duplicated or have noticeable corrections.
- W-2s for a firm in the area that differ from other W-2s from the same firm.
- Suspicious people accompanying the filer and observed on prior occasions.
- Multiple refunds directed to the same address or P.O. Box.
- Employment or earnings that are a basis for refundable credits are not well documented.

- Similar returns (e.g. same amount of income, deductions or refund.)

Report potentially fraudulent documents to the IRS for evaluation. Documents may be faxed directly to the IRS Criminal Investigation Fraud Detection Center for your state.

| State                                  | Fraud Detection Center | Fax Number   |
|--|------------------------|--------------|
| CT, MA, ME, NH, RI, VT, Upstate NY, MI | Andover                | 978.691.6902 |
| GA, NC, SC, AL, FL                     | Atlanta                | 678.547.3344 |
| TX, NM, AZ                             | Austin                 | 512.460.7436 |
| Brooklyn, Manhattan, NJ                | Brookhaven             | 631.447.4608 |
| OH, KY, WV, IN                         | Cincinnati             | 859.669.3711 |
| CA                                     | Fresno                 | 559.441.5881 |
| IL, WI, ND, SD, NE, IA, KS, MO, MN     | Kansas City            | 816.823.8543 |
| AR, TN, MS, LA, OK                     | Memphis                | 901.546.3148 |
| CO, MT, WY, UT, NV, ID, OR, WA, AK, HI | Ogden                  | 801.620.6806 |
| PA, VA, MD, DE                         | Philadelphia           | 215.516.1445 |

Visit [www.irs.gov](http://www.irs.gov) regularly for information updates and Tax Fraud Alerts; these can be quickly accessed by using IRS keyword: Fraud.

**Ready to apply to participate in e-file?**

- Submit Form 8633, *Application to Participate in the Electronic Filing Program*.
- Apply early. It takes up to 45 days to process applications, which are accepted year round.
- Forms 8633 are processed at the Andover Submission Processing Center. For more information about e-file, see page 25, call **1.866.255.0654** or click on the e-file logo on **IRS.gov**.

**FORM 8453**

Submission of Form 8453, *U. S. Individual Income Tax Declaration for an IRS e-file Return*, is required unless the return is signed using an electronic signature. The Acknowledgment (ACK) File contains information that indicates if the electronic signature was received by the IRS or if Form 8453 is required.

Three submission processing centers will process Forms 8453. Andover will process forms for returns transmitted to Andover and Kansas City. Austin will process forms for returns transmitted to Austin and Philadelphia. Memphis will process forms for returns transmitted to Memphis.

**Federal Tax Deposit requirements for employment taxes**

**D**o employment tax requirements confuse you? You're not alone. The rules are not one-size-fits-all and can be difficult to navigate. This summary may help clear up some of the mystery for you.

Employers are required to file Form 941, *Employer's Quarterly Federal Tax Return*, and to make regular federal tax deposits (FTDs) of employment taxes, which include employees' withheld federal income tax, Social Security tax, Medicare tax and the employer's share of Social Security and Medicare taxes.

The deposit schedule may be either monthly or semi-weekly, depending on the amount owed during a four-quarter look-back period. The look-back period for calendar year 2004 covers the four calendar quarters from July 1, 2002 through June 30, 2003.

*Note: Notification of FTD Deposit Requirements are issued yearly to filers of Form 941 and 941SS to advise employers of which deposit method to use for the upcoming calendar year. It is your responsibility to verify the lookback period information with your records to ensure that the notice you receive is correct.*

| If total taxes reported in the lookback period were: | then employer is a:             |
|--|---------------------------------|
| \$50,000 or less                                     | Monthly Schedule Depositor      |
| More than \$50,000                                   | Semi-weekly Schedule Depositor. |

New employers, who have never filed Form 941 before, follow the monthly schedule depositor's rules for the first calendar year of their business. If, however, a new employer accumulates a tax liability (reduced by any advance Earned Income Credit (EIC) payments) of \$100,000 or more on any day during a deposit period, they must deposit the tax by the next banking day. FTD payments are based on when

wages are paid, not earned, and must be deposited as follows:

**Monthly Schedule Depositors:**

- Deposit each month's taxes by the 15th day of the following month (e.g., taxes from payday(s) during August are deposited by Sept. 15).

**Semi-weekly Schedule Depositors:**

- For wages paid Saturday, Sunday, Monday or Tuesday, deposit by Friday of that week.
- For wages paid Wednesday, Thursday or Friday, deposit by the following Wednesday.

If the due date for a deposit falls on a federal or state bank holiday or on a Saturday or Sunday, the deposit is considered timely if it is made by the close of the next banking day.

*Reminder: If you are a Semi-weekly Depositor, you must attach Form 941, Schedule B, to your Form 941.*

*Note: No monthly or semi-weekly FTD payments are required if the total tax liability for the quarter is less than \$2,500. Employers may mail in payments with their quarterly Form 941.*

**If employers have a deposit requirement, they may choose one of two deposit methods:**

- Make their payment electronically, using the safe, convenient, Electronic Federal Tax Payment System (EFTPS). To enroll in EFTPS, call **800.945.8400** or **800.555.4477** or visit **www.eftps.gov**.
- Mail or deliver Form 8109, *Federal Tax Deposit Coupon*, with their payment to an authorized financial institution or Federal Reserve Bank or branch. Make the check or money order payable to the financial institution.

[www.irs.gov](http://www.irs.gov)

**Visit the IRS Web site to:**

- Download forms and publications.
- Ask tax-related questions.
- Read summaries of tax regulations in plain English.
- Read news releases
- Send your comments directly to the IRS on-line.
- Download statistics of income database.
- Learn about electronic services.
- Use the W-4 calculator to figure withholding allowances.
- Visit the Tax Professional's page.
- Subscribe to the *Digital Dispatch* — an e-mail newsletter — or *e-news for Tax Professionals*. To subscribe, go the **Tax Professional's** page and click on *Subscription Services*.

## Tax materials and assistance in Spanish (Ayuda en Español)

If you need federal tax information in Spanish, you can find it in the form of recorded tax topics, free tax publications and toll-free telephone assistance from the IRS.

TeleTax is a toll-free automated service, in English and Spanish, providing helpful tax topics and refund information. You can find a list of more than 150 TeleTax topics in the instructions for Form 1040, 1040A or 1040EZ. TeleTax can also help you if it's been at least four weeks since you filed your return and you want to check on the status of your federal refund. Having a copy of the tax return handy will help you respond to the prompts on the automated system. TeleTax is available 24 hours a day, 7 days a week at **1.800.829.4477**.

Free Spanish publications are available by calling toll free **1.800.TAX.FORM (1.800.829. 3676)**

or on the IRS Web site, [www.irs.gov](http://www.irs.gov), under *Forms and Publications*. Some of the more popular ones are:

- Publication 1SP, *Derechos del Contribuyente (Your Rights as a Taxpayer)*
- Publication 579SP, *Como Preparar la Declaración de Impuesto*, explains who has to file a federal tax return and other important topics, such as which form to file, who are dependents, what income is taxable and nontaxable, and what some of the more common tax credits are
- Publication 596SP, *Crédito por Ingreso del Trabajo*, provides details on the Earned Income Tax Credit.

You can also talk with a Spanish-speaking IRS representative by calling the toll-free customer service line at **1.800.829.1040**.

## Taxpayer Assistance Centers offer account help, Everyday Tax Solutions

Local Taxpayer Assistance Centers (TACs) are practitioners' source for face-to-face help with their clients' tax account issues and *Everyday Tax Solutions*.

While practitioners have many alternatives for obtaining tax forms and answers to tax law questions, TACs are their only option for in-person help with account issues — inquiries, adjustments, payment plans, liens/levies and problem-solving.

Everyday Tax Solutions ensures client issues are resolved at the earliest stages, minimizing penalties, interest and aggravation. Practitio-



ners can call local telephone numbers for convenient appointments.

Phone numbers, locations and hours of service for IRS TACs are posted at [www.irs.gov](http://www.irs.gov). From each page listed under *Contents*, click on *Contact My Local Office*.

## IRS toll-free numbers

|   |   |   |
|---|---|---|
| 866.860.4259                                    | <i>Practitioner Priority Service</i>                                      | Practitioners' first point of contact for account-related issues.   |
| 800.829.1040                                    | <i>IRS Tax Help Line for Individuals</i>                                  | For filers who need procedural or tax law information or help to file their 1040-type individual returns.   |
| 800.829.4933                                    | <i>Business and Specialty Tax Line</i>                                    | For Small Businesses, Corporations, Partnerships and Trusts who need information and/or help related to their Business Returns or Business (BMF) Accounts. Services cover Employer Identification Numbers (EINs), 94x returns, 1041, 1065, 1120S, Excise Returns, Estate and Gift Returns, as well as issues related to federal tax deposits.                                 |
| 800.829.1954                                    | <i>Refund Hotline</i>   | For 1040-type Individual and Joint Filers who need to check the status of their current year refund. Automated Refund Self-Service Interactive Applications are offered on this line. <b>Note:</b> The <i>Where's My Refund?</i> automated self-service feature is also available 24/7 at <a href="http://www.irs.gov/">www.irs.gov/</a> to obtain refund status information. |
| 800.829.3676                                    | <i>Forms and Publications</i>   | For individuals, businesses and tax practitioners who need IRS tax forms, instructions and related materials and tax publications.  |
| 877.777.4778                                    | <i>National Taxpayer Advocate's Help Line</i>                             | For taxpayers whose tax problems have not been resolved through normal channels. The Taxpayer Advocate Service (TAS) provides an independent system to assure that tax problems are promptly and fairly handled. TAS operates independently of any other IRS office and reports directly to Congress through the National Taxpayer Advocate.                                  |
| 800.829.4059                                    | <i>Telephone Device for the Deaf (TDD)</i>                                | For hearing-impaired taxpayers who need tax law and/or procedural information relating to filing their returns or who need information or assistance relating to their accounts.  |
| 888.912.1227                                    | <i>Taxpayer Advocacy Panel</i>  | For citizens who want to provide ideas and suggestions on how to improve IRS services or who want to make recommendations for improvement of IRS systems and procedures.  |
| 800.555.4477, 800.945.8400 or 800.733.4829(TDD) | <i>Electronic Federal Tax Payment System (EFTPS) Hotline Tax Exempt –</i> | For taxpayers who want to pay business or individual taxes through electronic funds transfer. The EFTPS Toll-Free numbers can provide callers with EFTPS enrollment forms, instructions and customer assistance.  |
| 877.829.5500                                    | <i>Government Entities (TEGE) Help Line Tele-Tax System</i>               | For taxpayers who need tax information or assistance relating to Tax Exempt or Government Entities, Tax Exempt Bonds, Employer/Employee Pension Plans or Indian Tribal Agreements.  |
| 800.829.4477                                    | <i>Extension to File</i>  | For individuals who need to check the status of their current year refund or who want to listen to recorded tax information. Available 24 hours a day, seven days a week.   |
| 888.796.1074                                    | <i>Tele-File System</i>   | For individual filers who want to submit an Extension to File for a 1040-series return via telephone.   |
| 866.699.4083                                    | <i>Form 706</i>   | For answers to questions concerning Form 706, <i>United States Estate Tax Returns</i> .   |

## IRS toll-free numbers

|                     |  |  |
|---------------------|--|--|
| <b>888.227.7669</b> | <i>AARP Tax-Aide Information Line</i>                                    | American Association of Retired Persons locations for income tax preparation by IRS trained volunteers.    |
| <b>800.829.3903</b> | <i>Automated Collection System (ACS) Businesses</i>                      | Business accounts assigned to ACS  |
| <b>800.829.7650</b> | <i>Automated Collection System (ACS) Individuals</i>                     | Individual accounts assigned to ACS  |
| <b>800.829.0433</b> | <i>Criminal Investigation Informant Hotline</i>                          | Report tax fraud.  |
| <b>800.829.4933</b> | <i>Employer Identification Number (EIN)</i>                              | EIN application and changes.   |
| <b>866.699.4096</b> | <i>Form 2290</i>   | Heavy Vehicle Use Tax issues related to Form 2290  |
| <b>866.455.7438</b> | <i>Information Return Reporting</i>                                      | Tax law help for payers of W-2s and 1099s.   |
| <b>866.562.5227</b> | <i>Terrorist Act or Combat Zone Special Hotline</i>                      | Information for those affected by a Terrorist Act or a Combat Zone participant or related accounts issues. |
| <b>800.366.4484</b> | <i>Treasury Inspector General for Tax Administration (TIGTA) Hotline</i> | Report allegations of misconduct or improprieties of IRS employees   |

## Get an EIN by phone, fax or Internet

### Phone

By simply calling the toll-free number (**1.800.829.4933**), the IRS's Business and Specialty Tax Line, you can get an employer identification number (EIN). Calls are answered Monday–Friday from 7:00 a.m. to 10:00 p.m. local time. (Pacific Time for Hawaii and Alaska.)

### Fax

You can also fax requests for an EIN 24 hours a day, seven days a week by dialing the fax number at the location accepting applications from your state. (*The numbers are listed below.*) Or you can mail Form SS-4, *Application for Employer*

*Identification Number*, to get an EIN. Instructions on the form provide the correct mailing address.

Practitioners can receive an EIN on a client's behalf by completing the Third Party Designee section and obtaining the client's signature on Form SS-4. The instructions include the locations where the form should be mailed or faxed.

### Internet

The new Internet EIN (I-EIN) application opens another avenue to apply for and obtain an employer identification number. I-EIN is available for use 24/7 at **www.irs.gov** (click on *Businesses* and then on *Employer ID Numbers*).

It requires neither registration nor paper. An EIN is issued to you as soon as all the necessary fields of the on-line form are completed, validated and submitted. The IRS refers to the I-EIN as a provisional EIN, because it may be voided if:

- The name and SSN of the principal officer do not match SSA records, or
- The business has already been assigned an EIN.

You must keep a copy of your I-EIN application for your records. You can print a copy by clicking the *Print Form* button after receiving your EIN.

*Continued on page 31*

### Get an EIN by phone, fax or Internet *Continued from page 30*

Practitioners may request EINs via the Internet on behalf of their clients. They must keep a copy of the Form SS-4, signed by the customer, in their files.

If you need assistance applying for an EIN on the Internet, call the toll-free Business and Specialty Tax Line at **1.800.829.4933**.

The on-line application process is not yet available for the following types of entities: Foreign Addresses (including Puerto Rico); Limited Liability Company (LLC) without entity types; REMICs; State and Local Governments; Federal Government/Military; and Indian Tribal Government/Enterprise.

#### State and federal on-line business registration

Businesses located in Georgia or Illinois may be able to register with the state **and** apply for a federal employer identification number (EIN) on-line in one session. If you elect to apply for a federal EIN on-line, your information will be transmitted to the IRS for processing. A provisional federal EIN will be assigned to you immediately. You will be notified within two weeks when your federal EIN has been formally assigned.

You can download Form SS-4 by accessing <http://www.irs.gov/pub/irs-pdf/fss4.pdf>.

#### Where to write, call or fax

If your principal business, office or agency or legal residence, in the case of an individual, is located in: Connecticut, Delaware, District of Columbia, Florida, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, write, call or fax:

**Attn: IRS EIN Operation**  
**Holtsville, NY 00501**  
**Toll-Free 800.829.4933**  
**Fax-TIN 631.447.8960**

Illinois, Indiana, Kentucky, Michigan: write, call or fax:

**Attn: IRS EIN Operation**  
**Cincinnati, OH 45999**  
**Toll-Free 800.829.4933**  
**Fax-TIN 859.669.5760**

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska,



Nevada, New Mexico, North Dakota, Oklahoma, Oregon, Puerto Rico, South Dakota, Tennessee, Texas, Utah, Washington, Wisconsin, Wyoming, write, call or fax:

**Attn: IRS EIN Operation**  
**Philadelphia, PA 19255**  
**Toll-Free 800.829.4933**  
**Fax-TIN 215.516.3990**

If you have no legal residence, principal place of business, or principal office or agency in any state (outside the U.S.), write, call or fax:

**Attn: IRS EIN Operation**  
**Philadelphia, PA 19255**  
**Tele-TIN 215.516.6999**  
**Fax-TIN 215.516.3990**

#### Avoid these common problems

1. Taxpayers often fax Form SS-4 and before receiving the EIN faxed or mailed to them, call the toll-free number or apply over the Internet to request an EIN. This can cause duplicate EINs to be issued.
2. Form SS-4 is often not completely filled out. This causes a delay in providing an EIN.
3. Taxpayers are sometimes uncertain about the type of entity being established. Call the toll-free line for assistance in determining the type of entity.
4. Callers sometimes are unable to establish that they are authorized to request an EIN for the entity they represent. An EIN can be released only to duly authorized individuals. If you cannot establish authorization, the EIN will be mailed to the taxpayer's address of record.

## Applying for an Individual Taxpayer Identification Number (ITIN)

The IRS has revised the requirements for Individual Taxpayer Identification Number (ITINs) applications. These revisions will ensure continued availability to individuals with federal tax responsibilities while strengthening tax administration. In most cases, applicants must demonstrate a tax need for the numbers by attaching federal tax returns to their applications.

Effective immediately, ITIN applicants should follow the new procedures to avoid delays in receiving their ITINs. The new guidelines require applicants to:

- Apply using the revised Form W-7, dated December 2003, on-line at [www.irs.gov](http://www.irs.gov) in both English and Spanish versions. Printed versions are available by calling **1.800.829.3676**.
- Have valid return filing requirements and file federal income tax returns with their ITIN applications or provide documentation supporting an exception to the return filing requirement.

Because they are filing tax returns as attachments to their ITIN applications, applicants should not mail their returns to addresses listed in the Form 1040, 1040A or 1040EZ instructions. Instead, they should send their returns, Forms W-7 and other required documentation to the address listed in the Form W-7 instructions:

**Internal Revenue Service  
Philadelphia Service Center  
ITIN Unit, P.O. Box 447  
Bensalem, PA 19020**

Exceptions to the *return with application* requirement include individuals subject to tax treaty benefits or third party reporting or withholding.

Exceptions are outlined in Form W-7 Instructions.

- Submit original or certified copies of proof of identity documents to either IRS Acceptance Agents or the IRS for validation.

An original passport is the only document that proves both identity and foreign status. Applicants who do not have passports must provide a combination of current documents that contain expiration dates, show their names and photographs and support their claim of foreign status. The IRS will accept a combination (two or more) of the following documents, in lieu of a passport:

- National identification card (must show photo, name, current address, date of birth, and expiration date)

- U.S. driver's license
- Civil birth certificate
- Foreign driver's license
- U.S. state identification card
- Foreign voter's registration card
- U.S. military identification card
- Foreign military identification card
- Visa
- U.S. Citizenship and Immigration Services (USCIS) photo identification
- Medical records (dependents only)
- School records (dependents and/or students only)

A list of Acceptance Agents is posted at <http://www.irs.gov/individuals/article/0,,id=96304,00.html/>.

IRS Taxpayer Assistance Centers (TACs) provide in-person help with ITIN applications on a walk-in or appointment basis. TAC locations and hours of service are posted at <http://www.irs.gov/localcontacts/index.html/>. Applicants outside the U.S. may contact an overseas IRS office to find out if that office accepts Form W-7 applications.

Qualifying ITIN applicants will receive letters from the IRS assigning their tax identification numbers, usually within six weeks, if their applications are complete.

A news release outlining revisions to the ITIN program is posted on [www.irs.gov](http://www.irs.gov) in the *Newsroom*, and a set of Frequently Asked Questions (FAQ) is at Keyword: **ITIN**.

**Reminder:** ITINs are for tax purposes only and are not valid as personal identification. ITINs do not imply legal status in the U.S. or entitle holders to work in the U.S.

## Adoption Identification Numbers

Adoption Identification Numbers (ATINs) are for taxpayers who are in the process of adopting a child and who meet the criteria for claiming dependent status for the adoptive child but are unable to apply for a SSN for the child, pending final adoption. ATINs are issued for domestic adoptions only. Taxpayers involved in international adoption must apply for an ITIN for the child.

ATINs are temporary numbers issued by the IRS and are valid only for a two-year period, or if the applicant

*Continued on page 33*

## Small Business Resource Guide CD-ROM-2003

The Small Business Resource Guide on CD-ROM is a must for every small-business owner or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions and publications to successfully manage a business. The CD also provides other helpful information, such as preparing a business plan, finding financing for your business and more. The CD-ROM includes a full-text and PDF search engine for easier navigation. To order your copy of the Guide (available mid-March 2004), call **1.800.TAX.FORM (1.800.829.3676)** or visit <http://www.irs.gov/businesses/small/index.html> and click on *Small Business Products*.

### REMEMBER:

**Treasury Department Circular No. 230 contains the rules governing the practice of attorneys, CPAs, enrolled agents, enrolled actuaries, appraisers and other persons representing taxpayers before the IRS. It authorizes the Director of Practice to grant or deny enrollment and to institute disciplinary proceedings.**

## Adoption Identification Numbers

*Continued from page 32*

receives an SSN within that two-year period for the adoptive child. If the adoption does not become final within the two-year period, it is necessary to apply for an extension to validate the ATIN past the two-year period. Many adopting parents often have custody of the child for a period of time pending the adoption and provide sufficient financial support during the year to claim the dependency exemption or child care credit on their returns. However, because of privacy issues, they do not have access to the child's existing SSN. Additionally, because the Social Security Administration (SSA) will issue an SSN only when the adoption is final, the parents are unable to provide an SSN when filing the return.

The Earned Income Credit (EIC) is not allowed without a valid SSN issued by the SSA; therefore, the EIC cannot be claimed when an ATIN is used for the child. After adoption is final and the taxpayer has obtained a valid SSN for the adoptive child, the parents may file

an amended return to claim the EIC for the period of pending adoption, provided all other EIC criteria are met.

To apply for an ATIN, use Form W-7A, *Application for Taxpayer Identification Number for Pending U.S. Adoptions*, available at [www.irs.gov](http://www.irs.gov) or by calling the IRS toll-free tax forms line at **1.800.829.3676**.

Applicants are required to provide supporting documentation with the application. Applicants may file Form W-7A at their local IRS office, where field personnel will verify the information and pre-screen the Form W-7A for accuracy and completeness. Applicants may also mail the Form W-7A and supporting documentation to the ITIN Unit at the address shown above.



## Preparer Tax Identification Number (PTIN)

A paid tax professional may choose to use a PTIN, instead of his or her SSN, on returns that are prepared for clients. A new PTIN application enables a preparer to apply for and receive a PTIN on-line or look up a forgotten PTIN. An actual PTIN card can be sent to you if requested.

Tax professionals who wish to apply for a PTIN on-line must register on-line as individuals to create an electronic account. The registration process is a one-time automated process where the user selects a username, password and PIN. An on-screen acknowledgment confirms that you've successfully completed the initial registration process. You can access the registration process by clicking on *e-services* on the

Tax Professional's page of [www.irs.gov/](http://www.irs.gov/).

Preparers wishing to apply for a PTIN using the paper method may download Form W-7P, *Application for Preparer Tax Identification Number*, from [www.irs.gov](http://www.irs.gov) or call the IRS toll-free tax forms line at **1.800.829.3676**. Form W7-P will no longer be accepted via mail or fax by the Philadelphia Submission Processing Center. It should now be sent to the Brookhaven Service Center. Please note the new address and telephone numbers below: Fax: **631.687.3850**

**Brookhaven Service Center  
PTIN Unit Stop 540A  
PO Box 9003  
Attn: EIN Operation  
Holtsville, NY 00501**

**TIGTA  
HOTLINE**

The IRS expects its employees to conform to the highest standards of integrity. If you have reason to believe that an IRS employee is engaging in misconduct, call 1.800.366.4484

**CUT DOWN ON  
TAX  
PENALTIES  
WITH EFTPS**

New research shows real benefits to using the Electronic Federal Tax Payment System (EFTPS). The study shows that non-EFTPS users are 31 times more likely to be assessed a penalty than EFTPS users. With EFTPS, taxpayers can schedule payments in advance to avoid penalties.

**REMEMBER:**

Using labels saves time and increases efficiency. None of the information on an IRS preprinted label affects whether taxpayers are audited.

**Assembling forms in proper order helps processing**

If returns are not assembled in attachment sequence, they must be pulled apart and reassembled. Although we take care to reattach all the pages, important documentation could get lost in the process.

Form 9465, *Installment Agreement Request*, and Form 911, *Application for Taxpayer Assistance Order to Relieve Hardship*, should be attached to the front of the return. Attach other forms and schedules at the end of the return in order of the Attachment Sequence Number that is shown below the year in the upper right corner of the form or schedule. Attachment Sequence Numbers are not in the same order as form numbers. For example, Form 8801 has Attachment Sequence No. 74 and Form 8814 has Attachment Sequence No. 40.

IRS forms and schedules without attachment sequence numbers follow next in numerical order. **Attach separate statements at the end of the return — not between forms and schedules that are in sequence.** If these relate to previous correspondence, refer to the IRS customer service representative by name, ID number and mail stop num-

ber, where possible. *Copies of approved extensions of time to file should be attached following the IRS forms.*

(Ignore the sequence number on Form 2688.) Attach the remittance to the front of the return on top of Form W-2.

- Secure the return package with one staple in the top left corner. Use binder clips or large rubber bands for large documents. Do not use tape.
- Keep the upper right portion of the front page blank and free of staples. The Document Locator Number (DLN) is printed in that area. A staple can cause the DLN to be printed illegibly and can even damage the imprinting equipment. Some practitioners stamp or print a message such as “IRS File Copy” in that area in large letters which obscure the DLN.
- Do not use binders or plastic covers; these must be removed for processing and are discarded.

**Estate and Gift Tax Program**

The Estate and Gift Tax Program has been centralized for filing purposes at the Cincinnati Service Center. The addresses are:

(for regular mail)

**Internal Revenue Service Center  
Cincinnati, OH 45999**

(private delivery services)

**Internal Revenue Service Center  
201 W. Rivercenter Boulevard  
Covington, KY 41011**

Taxpayers can check the status of their filed returns by calling **866.699.4083.**

To review information on forms and publications and review Frequently

Asked Questions, go to [www.irs.gov](http://www.irs.gov) and under *Contents* on the left side of the page click on *Businesses* then scroll down that page and click *Estate and Gift Taxes* or click on *Forms and Pubs* to access Form 950, *Introduction to Estate and Gift Taxes.*

Installment payments under IRC 6166 have new requirements. The IRS requires either that an estate furnish a surety bond as a prerequisite for granting the installment payment election or that the executor elects the special lien provisions of IRC 6324A. (See page 9 of the Form 706 instructions for more information.)

## Extensions and Installment Agreements

**T**axpayers who file extensions by April 15 but are unable to pay the full amount will not be penalized if they pay 90 percent of the total tax due at the time they request the extension. Regulations require that the tax liability reported on Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, be properly estimated based on available information. Otherwise, the form may be deemed not filed with due diligence. The extension may be disallowed and a late filing penalty assessed if the taxpayer does not properly estimate the tax due and attach it to the request. Form 4868 is in voucher form again this year and can be sent electronically. Balance due Forms 4868 should be sent to the appropriate lockbox. (See pages 59-69.)

Part II and Part IV of Form 4868 should only be completed if the taxpayer and/or the taxpayer's spouse plan to file Form 709, *United States Gift and Generation-Skipping Transfer Tax Return*, or Form 709-A, *United States Short Form Gift Tax Return*. If either Part II or Part IV of Form 4868 is completed, correspondence will be generated to the taxpayer if no Form 709 or 709-A is filed.

If a client cannot pay the taxes owed at the time of filing of the return, you can file a Form 9465, *Installment Agreement Request*, with the tax return. This form allows the taxpayer to request a monthly payment plan specifying the monthly payments.

There is a processing fee of \$43 for entering into an installment agreement and \$24 for restructuring or reinstating an installment agreement. Do not send the \$43 when you send the Installment Agreement Request. We will send you a notice for the fee once the agreement has been approved. Form 9465 can be transmitted electronically by itself or accompanying an electronically filed return.

Attach Form 9465 to the front of the return so it can be detached and processed separately. Attach Forms W-2, W2-G and 1099R separately so they will not be inadvertently detached from the Form 9465. If you have already filed the return, file Form 9465 by itself with the IRS service center where you filed your income tax return. If you are filing this form in response to a notice, send the form to the address on the notice.

|  |  |   |  |                                      |
|--|--|---|--|--------------------------------------|
| <b>Form 4868</b><br>Department of the Treasury<br>Internal Revenue Service   |  | <b>Application for Automatic Extension of Time To File U.S. Individual Income Tax Return</b><br>For calendar year 2003, or other tax year beginning _____, 2003, ending _____   |  | OMB No. 1545-0188<br><br><b>2003</b> |
| <b>Part I Identification</b><br>1 Your name(s) (see instructions)<br><br>Address (see instructions)<br><br>City, town or post office, state, and ZIP code  |  | <b>Part III Individual Income Tax</b><br>4 Estimate of total tax liability for 2003 \$ _____<br>5 Total 2003 payments . . . . . _____<br>6 <b>Balance due.</b> Subtract 5 from 4 . . . . . _____                                |  |                                      |
| 2 Your social security number<br>: : :<br>: : :  |  | <b>Part IV Gift/GST Tax</b> —If you are <b>not filing</b> a gift or GST tax return, go to Part V now. See the instructions.<br>7 Your gift or GST tax payment . \$ _____<br>8 <b>Your spouse's</b> gift/GST tax payment         |  |                                      |
| 3 Spouse's social security number<br>: : :<br>: : :  |  | <b>Part V Total</b><br>9 <b>Total liability.</b> Add lines 6, 7, and 8 \$ _____<br>10 Amount you are paying . . . . . ► _____   |  |                                      |
| <b>Part II Complete ONLY If Filing Gift/GST Tax Return</b><br><b>Caution:</b> Only for gift/GST tax extension! Checking box(es) may result in correspondence if Form 709 or 709-A is not filed.<br>This form also extends the time for filing a gift or generation-skipping transfer (GST) tax return if you file a calendar (not fiscal) year income tax return. Enter your gift or GST tax payment(s) in Part IV and:<br>If you are requesting a <b>Gift or GST tax</b> return extension, check this box . . . . . ► <input type="checkbox"/><br>If your spouse is requesting a <b>Gift or GST tax</b> return extension, check this box . . . . . ► <input type="checkbox"/> |  | <b>Confirmation Number</b><br>If you file electronically, you will receive a confirmation number telling you that your Form 4868 has been accepted. Enter the confirmation number here and keep it for your records . . . . . ► |  |                                      |
| For Privacy Act and Paperwork Reduction Act Notice, see page 4.  |  | Cat. No. 13141W   |  | Form <b>4868</b> (2003)              |

# EITC changes balance education and compliance

New Earned Income Tax Credit (EITC) program changes will result in fairer, more balanced tax administration. A five-point initiative announced last summer equitably focuses on education and compliance — encouraging eligible taxpayers to claim the credit they deserve while reducing the high rate of erroneous claims, estimated at nearly one-third of the 1999 EITC returns.

## Claiming the EITC they deserve

Our 2004 public education campaign advises taxpayers — *Don't guess whether you qualify for EITC. Know!* — and directs them to our Web site, our toll-free number and you for more information.

You and other tax professionals who prepare 68 percent of EITC claims are instrumental in filing accurate returns. Several resources posted on both the EITC Individual and Tax Professional pages of [www.irs.gov](http://www.irs.gov) will help you navigate the credit's complexities.

*EITC — An Electronic Toolkit for Tax Professionals* is your one-stop resource to determine clients' EITC eligibility; ensure full compliance with EITC rules and regulations; and file accurate claims. Sample appointment wrap-up cards, letter templates, brochures and posters will help you communicate important EITC information to your clients.

You will get additional technical support on meeting the due diligence requirements through our Practitioner Priority Service (**1.866.860.4259**) and other materials on our Web site using the keyword: *eitc*.

## Testing new compliance initiatives

We are testing three new integrated approaches to improve EITC compliance without imposing undue burden on claimants. These pilots involve a limited number of the 20 million taxpayers claiming EITC, focusing on potentially high-risk claims identified from past studies. Most EITC claimants are not affected.

The pilots reflect input from tax professionals, low-income advocacy groups and the public and will not be further implemented without full analysis, careful evaluation and additional stakeholder input.

The certification pilot involves the residency requirement between a child and the taxpayer. We sent Notice 84A and Form 8836, *Qualifying Child Residency Statement*, to 25,000 taxpayers in early December asking them to submit proof, when they file their 2003 returns, that the qualifying children lived with them for more than one-half of the tax year as required.

Please ask your clients whether they received these important notices. You can e-file these returns, but Forms 8836 and supporting documentation must be mailed to **IRS, STOP 4300, Annex R2, Kansas City, MO 64999-0065** or faxed to **1.913.266.9640**. Please mail all paper returns with Form 8836 to the appropriate Kansas City address listed on the notice — *not* to the taxpayers' usual filing locations — to avoid processing delays.

Taxpayers who lost their notices or have questions can call a special number dedicated to the certification pilot — **1.800.294.2723** — for

replacements or answers. We will correspond with all pilot group claimants — sending reminders to those filing without Form 8836 and acknowledgments to those who do.

The other two pilots ask EITC claimants to provide additional information after filing their 2003 returns.

The second pilot will identify overstated EITC claims due to underreported income. Our Automated Underreporter Program will review 300,000 claims from taxpayers who previously underreported their incomes, which may change the amount of taxpayers' EITC or disqualify them if their true income exceeds the limitation.

The third pilot focuses on EITC taxpayers' filing status, looking at the returns of 36,000 claimants whose filing status changed from Married Filing Jointly to Single or Head of Household in 2003. We will ask these claimants to provide documentation verifying the accuracy of their filing status.

EITC claimants in the certification and filing status pilots must provide specific documentation before receiving the EITC portion of their refunds. They will receive any refunds attributable to tax withholding or other refundable credits as usual. Pilot group participants will receive their EITC via checks, not direct deposits, after we evaluate the documentation and determine their eligibility — usually within 60 days of receiving their replies.

Taxpayers who disagree with our decisions and cannot reach an agreement with our examiners can exercise their appeal rights through our Appeals Division or petition the Tax Court.

*Continued on page 37*

## Earned Income Tax Credit

*Continued from page 36*

### e-filing has more benefits

A special indicator will help Electronic Return Originators (EROs) identify taxpayers in the certification pilot. EROs will receive a "Y" acknowledgment indicator within 24 hours of transmission if an EITC claimant is required to submit Form 8836. This early indicator will help you help your clients file complete returns and minimize delays receiving the EITC portion of their refunds.

### EITC audits another compliance tool

EITC audits are more encompassing than our new pilots and may cover multiple EITC issues, including filing status, exemptions and Child Tax Credit. This year, we again will conduct EITC examinations by correspondence.

We are fine tuning our selection process, using external, as well as internal, data and applying our analyses or prior examinations to ensure we are selecting the most appropriate returns without placing an unnecessary burden on compliant

taxpayers. We are also focusing on closing examinations faster and improving our notices to deliver better service and reduce the number of audit reconsiderations.

Unlike our other examinations which occur after returns are processed and refunds are issued, our EITC audits occur at the front-end, to verify eligibility before paying the claims. EITC claimants must provide the requested information to receive their credit.

If your clients need additional time gathering their records, please contact us at the number listed on the examination inquiry (Letter L566-BZ). When responding, reply to the address in our inquiry to avoid delays.

### Encourage clients to respond

Please advise your EITC clients up-front that they may receive IRS correspondence requesting additional information to substantiate their EITC claims as part of these pilots or IRS correspondence examinations. Urge them to respond immediately or contact you for assistance to

minimize delays receiving their EITC.

More than half of EITC claimants contacted for examinations last year failed to respond, resulting in EITC claim denials, reduced refunds and requiring claimants to submit additional information for future year claims. Your professional counseling can help your clients avoid these pitfalls.

Tell them our request for additional information does not imply ineligibility, but we need more documentation to verify their claims. We want to ensure all eligible taxpayers receive the EITC they deserve, but only those who are eligible.

Also encourage your clients to alert us to address changes. Many IRS notices and refunds are returned to us as undeliverable each year.

### More information

For additional information about EITC and our new initiatives, join the January 13 broadcast of *Tax Talk Today* or check the Web site archives at [www.taxtalktoday.tv/](http://www.taxtalktoday.tv/) and visit our Web site frequently for updates.

## Tax Talk Today for tax professionals

**T**ax Talk Today has steadily gained popularity with tax professionals around the country who look to this Webcast program to provide up-to-date information about tax issues.

Tax Talk Today is a monthly program about current tax issues and policies sponsored in part by the IRS. It provides unbiased insight and information about current tax and business issues critical to tax professionals. The programs feature a panel discussion, questions and answers from viewers, current tax news stories

and tax teasers. The format allows viewers to ask questions via e-mail, fax or phone.

Continuing professional education (CPE) viewers can earn one CPE credit by watching each Tax Talk Today program via Live or Internet-Based-Live Broadcast (based on a 50 minute credit hour) or Archived/Rerun Broadcast (Non-interactive self study-based on 100 minute credit hour). Credit for the Live Internet Broadcast is accepted by Illinois, New York and all State Boards that accept NASBA sponsors of continuing professional educa-

tion. In addition, NASBA has approved credit for viewing the archived broadcast or VHS videotape. Viewing the archived broadcast or VHS video tape qualifies as a Non-Interactive Self-Study program.

This program is not approved for some states requiring QAS (Florida and Tennessee) for archived viewing or viewing VHS videotape. Oregon now accepts the archived or VHS programs for CPE credit.

For more information, visit <http://www.taxtalktoday.tv/>.

## Frequently Asked Questions

Get answers to all the most frequently asked questions about Tax Year 2003 at

<http://www.irs.gov/faqs/index.html>

On the front page of [irs.gov](http://www.irs.gov), click on the appropriate page for Individuals, Businesses, Charities, etc., then click on FAQs under Resources on the left side of that page.



**FirstGov.gov** is the only official U.S. Government portal to 47 million pages of government information, services, and on-line transactions. The Web site offers a powerful search engine that searches every word of every U.S. government document in a quarter of a second or less. **FirstGov.gov** also features a topical index, links to state and local government, options to contact your government and other tools to provide the public with easy, one-stop access to government resources.

### A letter to tax professionals from the Health Coverage Tax Credit Program

Dear Tax Professional,

I want to make sure you know about the Health Coverage Tax Credit (HCTC). This new federal tax credit may benefit some of your clients, not only by increasing their refund, but also by giving them access to health coverage. Workers who have been laid off due to foreign trade or individuals receiving pensions from the Pension Benefit Guaranty Corporation (PBGC) are potentially eligible for the HCTC. While we notify individuals who are potentially eligible by mail, we need your help to make sure that eligible individuals know about and claim the HCTC.

**Help eligible individuals save \$65 on every \$100 they spend on qualified\* health coverage by claiming the new Health Coverage Tax Credit in advance or on their federal tax return.**

The HCTC pays 65 percent of qualified health plan premiums for eligible individuals. These individuals can choose to have the 65 percent credit applied directly to their health plan premiums as they become due or they can claim the credit when they file their federal tax return. You can help them understand their options. Who is eligible? Start by asking if the individuals are now, or were during any part of the 2003 tax year:

- Receiving benefits under the Trade Adjustment Assistance (TAA) program through their state workforce agency; or
- Receiving benefits under the (ATAA) Alternative Trade Adjustment Assistance program; or
- Receiving pension payments from the Pension Benefit Guaranty Corporation (PBGC) and between the ages of 55 and 65.

If the answer to any of these questions is "Yes," and if the individual is enrolled in a qualified health plan and not eligible for Medicare, it will be worthwhile to review HCTC eligibility with the individual to further determine if they may be able to obtain this valuable tax credit.

Based on a recent survey, 70 percent of HCTC candidates may use a tax preparer.

The following resources can assist you:

1. An HCTC eligibility chart to help you quickly determine if the individual is potentially eligible for the HCTC
2. A drop-in article to include in your client, association or organization newsletters
3. Frequently Asked Questions about the HCTC

Please take the time to go through these resources. This information may be found at <http://www.irs.gov> (IRS Keyword: *HCTC*).

Sincerely,  
(signed)

Keith V. Taylor  
Director, Health Coverage Tax Credit Program  
Internal Revenue Service

\* *Only specific health plans qualify for the Health Coverage Tax Credit (HCTC).*

## Pension plan limitations for 2004

**S**ection 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the commissioner annually adjust these limits for cost-of-living increases.

Many of the pension plan limitations changed for 2004. For most of the limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. Furthermore, several limitations, set by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), increased at the beginning of 2004.

For example, under EGTRRA, the limitation under section 402(g)(1) on the exclusion for elective deferrals described in section 402(g)(3) is increased from \$12,000 to \$13,000. This limitation affects elective deferrals to section 401(k) plans and to the federal government's Thrift Savings Plan, among other plans.

### Cost-of-living limits for 2004

Effective Jan. 1, 2004, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) is increased from \$160,000 to \$165,000. For participants who separated from service before Jan. 1, 2004, the limitation for defined benefit plans under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2003, by 1.0220.

The limitation for defined contribution plans under section 415(c)(1)(A) is increased from \$40,000 to \$41,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation

of section 415(b)(1)(A). These dollar amounts and the adjusted amounts are as follows:

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$200,000 to \$205,000.

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employees in a top-heavy plan remains unchanged at \$130,000. The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$810,000 to \$830,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$160,000 to \$165,000.

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at \$90,000.

The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$300,000 to \$305,000.

The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$450.

The compensation amounts under Section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$80,000. The compensation amount under Section 1.61-21(f)(5)(iii) is increased

from \$160,000 to \$165,000.

### Limitations specified by statute

The Code, as amended by the Economic Growth and Tax Relief Act of 2001 (EGTRRA), specifies the applicable dollar amount for a particular year for certain limitations. These applicable dollar amounts are as follows:

- The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$12,000 to \$13,000.
- The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from \$8,000 to \$9,000.
- The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$12,000 to \$13,000.
- The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$2,000 to \$3,000. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or 408 (p) for individuals aged 50 or over is increased from \$1,000 to \$1,500.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

## SECONDARY SSN VALIDATION

The names and Social Security Numbers (SSNs) of everyone claimed on a tax return — primary, secondary and all dependent SSNs — must exactly match the names on their Social Security cards. The IRS does not accept electronic returns with any name/number mismatch, whether for the taxpayer, the spouse or a dependent. It also reduces tax benefits claimed on paper returns when there is a name/number mismatch for either spouse listed on a joint return or for any dependent.

People who change their surnames for any reason — such as marriage — should get updated identification cards, unless they intend to use the former name for legal purposes. Form SS-5, *Application for a Social Security Card*, is available from the SSA Web site at [www.ssa.gov](http://www.ssa.gov) or by calling **800.772.1213** toll-free.

### REMINDER

Refund checks will be returned to the IRS if the address on the check is not current. Advise your clients to file Form 8822, *Change of Address*, when they move.

## Taxpayer Advocate Service

The Taxpayer Advocate Service is an IRS program that provides an independent system to assure that tax problems that have not been resolved through normal channels are promptly and fairly handled. The program is headed by the national taxpayer advocate. Each state and service center has at least one local taxpayer advocate, who is independent of the local IRS office and reports directly to the national taxpayer advocate.

The goals of the Taxpayer Advocate Service are to protect individual taxpayer rights and to reduce taxpayer burden. The taxpayer advocate independently represents your interests and concerns within the IRS. This is accomplished in two ways:

- Ensuring that taxpayer problems that have not been resolved through normal channels are promptly and fairly handled.
- Identifying issues that increase burden or create problems for taxpayers: bringing those issues to the attention of IRS management and making legislative proposals where necessary.

### Who may use the Taxpayer Advocate Program?

If you have an ongoing issue with the IRS that has not been resolved through normal processes, or you have suffered, or are about to suffer, a significant hardship as a result of the application of the tax laws, contact the taxpayer advocate.

Generally, the taxpayer advocate can help if, as a result of the application of the tax laws, you:

- Are suffering, or are about to suffer, a significant hardship;
- Are facing an immediate threat of adverse action;
- Will incur significant cost (including fees for professional representation);
- Will suffer irreparable injury or

long-term adverse impact;

- Have experienced a delay of more than 30 days to resolve the issue; or
- Have not received a response or resolution by the date promised.

Additionally, you may contact the taxpayer advocate if all established systems or procedures have failed to operate as intended to resolve the problem or dispute.

Hardship situations and other issues that are referred to the taxpayer advocate are reviewed on the individual merits of each case.

The Taxpayer Advocate Service is not a substitute for established IRS procedures or the formal Appeals process. The advocate cannot reverse legal or technical tax determinations.

### How do I reach a Taxpayer Advocate?

- Call the telephone number listed for the office closest to you or the office with which you have been dealing. (*See next page.*)
- Call the Taxpayer Advocate's toll-free telephone number: **1.877.777.4778**
- Call the general IRS toll-free number (**1.800.829.1040**) and ask for Taxpayer Advocate assistance.
- Write the office nearest you or the one you have been dealing with. (*See next page for addresses.*)
- TTY/TTD help is available by calling: **1.800.829.4059**.
- Check the Taxpayer Advocate Web site at [www.irs.gov/ind\\_info/advocate.html](http://www.irs.gov/ind_info/advocate.html)
- File Form 911, *Application for a Taxpayer Assistance Order*,
- Send a written request for assistance (if Form 911 is not available),
- Request that an IRS employee complete a Form 911 on your behalf (in person or over the phone).

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## Taxpayer Advocate Service Continued from page 40

You may fax a Form 911 (or written request) to your local taxpayer advocate. Form 911 is available by calling the IRS forms-only number, **1.800.829.3676** or from [www.irs.gov/](http://www.irs.gov/). *An Application for a Taxpayer Assistance Order* requires the advocate to determine if significant hardship exists and to review the case to determine what action should be taken to relieve the hardship. In certain situations, enforcement action may be sus-

pending while a case is being reviewed.

The majority of cases are resolved administratively by the taxpayer advocate. Even when hardship is not a factor, the advocate is often able to help resolve the taxpayer's problem.

### What can I expect from the Taxpayer Advocate?

The taxpayer advocate will listen to your point of view and will work with you to address your concerns.

You can expect the advocate to provide you with:

- A *fresh look* at your problem,
- Timely acknowledgment,
- The name and phone number of the individual assigned to your case,
- Updates on progress,
- Time frames for action,
- Speedy resolution and
- Courteous service.

## Help us solve problems

**T**he National Taxpayer Advocate is an independent organization within the IRS that helps taxpayers solve problems with the IRS and recommends changes that will prevent the problems. To this end, the National Taxpayer Advocate invites taxpayers, practitioners, professional organizations and all interested Americans to help identify and recommend solutions to problems with the IRS and the tax code. You can do this by submitting advocacy issues to the Taxpayer Advocate Service through the Web-based SAMS — Systemic Advocacy Management System — a database of issues and information submitted by IRS employees and the public.

The Taxpayer Advocate Service (TAS) Office of Systemic Advocacy is responsible for managing SAMS. We review all submissions and develop some as advocacy projects, with the goal of improving IRS services and sometimes amending tax laws.

### What are systemic issues?

- They do not apply to just one taxpayer. However, if you personally have an unresolved federal tax problem,

you may be eligible for help from a TAS Case Advocate.

- They always affect multiple taxpayers.
- They impact segments of the taxpayer population locally, regionally or nationally.
- They relate to IRS systems, policies and procedures.
- They require study, analysis, administrative changes or legislative remedies.
- They involve protecting taxpayer rights, reducing or preventing taxpayer burden, ensuring equitable treatment of taxpayers or providing essential services to taxpayers.

### How can you submit an issue?

Go to [www.irs.gov](http://www.irs.gov) and click on *Taxpayer Advocacy* under *Resources* on the left side of the page. Scroll down the *Taxpayer Advocacy* page and click on *What is Systemic Advocacy*. At the bottom of that page click on the link *SAMS — Systemic Advocacy Management System*. You'll be asked a few questions to determine whether your submission qualifies as an advocacy issue. If so, you'll be directed to our SAMS Issue Submission page,

where you'll be asked to briefly describe the issue and provide a few details about yourself, such as your name and e-mail address. However, we want the e-mail address only to communicate with you about the issue (so please notify us if your e-mail address or account changes after you've submitted an issue). *Do not submit any taxpayer information such as your Social Security Number.*

### What happens next?

Once we're finished assessing your issue and have no further need to contact you, your e-mail address is deleted. It will not be stored, sold, shared or used for any other purpose except as may be required by law. SAMS will not place cookies on your Web browser either. The SAMS database is cleared out as required by established Federal Record Retention standards. (The Privacy Statement at the bottom of each [irs.gov](http://irs.gov) page describes how the IRS handles information from Web site visitors). After reviewing each submission, we decide whether it merits development as an advocacy project, and if so, we assign it to be resolved.

## Taxpayer Advocate Service Directory

Do you want assistance from a taxpayer advocate? This assistance is not a substitute for established IRS procedures, formal Appeals processes, etc., but the taxpayer advocate can give your tax matter proper and prompt

handling when you can't get a problem solved through normal channels. Call toll free **1.877.777.4778** or call the taxpayer advocate office nearest you listed below.

### National Taxpayer Advocate

1111 Constitution Ave. NW  
Rm. 3031, TA  
Washington DC 20224  
Phone: 202-622-4300  
Fax: 202-622-6113

### Deputy National Taxpayer Advocate

1111 Constitution Ave. NW  
Rm. 3031, TA  
Washington DC 20224  
Phone: 202-622-4300  
Fax: 202-622-6113

### Executive Director, Systemic Advocacy

1111 Constitution Ave. NW  
Rm. 3219, TA:EDSA  
Washington DC 20224  
Phone: 202-622-7175  
Fax: 202-622-3125

### Area Offices

#### Atlanta/International

401 W. Peachtree St.  
Stop 101-R Rm. 1970  
Atlanta, GA 30308  
Phone: 404-338-8710  
Fax: 404-338-8709

#### Dallas

4050 Alpha Road  
Mail Stop 1005, Rm. 1240  
Dallas, TX 75244-4203  
Phone: 972-308-7019  
Fax: 972-308-7166

#### Milwaukee

310 W. Wisconsin Ave.  
Suite 1210 East Tower,  
Stop 1009 MIL  
Milwaukee, WI 53203  
Phone: 414-297-1646  
Fax: 414-297-3485

### New York/New England

290 Broadway 14th floor  
New York, NY 10007  
Phone: 212-298-2015  
Fax: 212-298-2016

### Oakland

1301 Clay St. Suite 1030-N  
Oakland, CA 94612  
Phone: 510-637-2070  
Fax: 510-637-3189

### Richmond

400 N. 8th St. Rm. 328  
Richmond, VA 23240  
Phone: 804-916-3510  
Fax: 804-916-3641

### Seattle

915 2nd Ave. Stop W-404  
Seattle, WA 98174  
Phone: 206-220-4356  
Fax: 206-220-4930

### Small Business/Self Employed Campuses

312 Elm St., Suite 2250  
Cincinnati, OH 45202  
Phone: 859-669-5556  
Fax: 869-669-5808

### Service Centers/ Campuses

#### Andover

310 Lowell St., Stop 120  
Andover, MA 01812  
Phone: 978-474-5549  
Fax: 978-247-9034

#### Atlanta

4800 Buford Hwy, Stop 29-A  
Chamblee, GA 30341  
Phone: 770-936-4500  
Fax: 770-234-4443

#### Austin

3651 S. Interregional Hwy,  
Stop 1005 AUSC  
Austin, TX 78741  
Phone: 512-460-8300  
Fax: 512-460-8267

### Brookhaven

1040 Waverly Ave.,  
Stop 102  
Holtsville, NY 11742  
Phone: 631-654-6686  
Fax: 631-447-4879

### Cincinnati

201 Rivercenter Blvd.,  
Stop 11-G  
Covington, KY 41011  
Phone: 859-669-5316  
Fax: 859-669-5405

### Fresno

5045 East Butler Ave.,  
Stop 13941  
Fresno, CA 93888  
Phone: 559-442-6400  
Fax: 559-442-6507

### Kansas City

2306 East Bannister Rd.,  
Stop 1005 ROE  
Kansas City, MO 64131  
Phone: 816-926-2493  
Fax: 913-696-6390

### Memphis

5333 Getwell Road,  
Stop 13-M  
Memphis, TN 38118  
Phone: 901-395-1900  
Fax: 901-395-1925

### Ogden

1973 N. Rulon White  
Blvd., Stop 1005  
Ogden, UT 84404  
Phone: 801-620-7168  
Fax: 801-620-3096

### Philadelphia

11601 Roosevelt Blvd.,  
Stop SW-820  
Philadelphia, PA 19154  
Phone: 215-516-2499  
Fax: 215-516-2677

### Local Offices by State and Location

#### Alabama

801 Tom Martin Drive, Rm.  
151-PR  
Birmingham, AL 35211  
Phone: 205-912-5631  
Fax: 205-912-5156

#### Alaska

949 E 36th Ave.,  
Stop A-405  
Anchorage, AK 99508  
Phone: 907-271-6877  
Fax: 907-271-6157

#### Arizona

210 E. Earll Dr.,  
Stop 1005 PHX  
Phoenix, AZ 85012-2623  
Phone: 602-207-8240  
Fax: 602-207-8250

#### Arkansas

700 West Capitol St.,  
Stop 1005 LIT  
Little Rock, AR 72201  
Phone: 501-324-6269  
Fax: 501-324-5183

#### California

##### (Laguna Niguel)

24000 Avila Road,  
Stop 2000  
Laguna Niguel, CA 92677  
Phone: 949-389-4804  
Fax: 949-389-5038

#### California

##### (Los Angeles)

300 N. Los Angeles St.,  
Stop 6710 LA  
Los Angeles, CA 90012  
Phone: 213-576-3140  
Fax: 213-576-3141

## Taxpayer Advocate Service Directory

### California (Oakland)

1301 Clay St., Suite 1540-S  
Oakland, CA 94612  
Phone: 510-637-2703  
Fax: 510-637-2715

### California (Sacramento)

4330 Watt Ave.,  
Stop SA5043  
Sacramento,  
CA 95821  
Phone: 916-974-5007  
Fax: 916-974-5902

### California (San Jose)

55 S. Market St.,  
Stop 0004  
San Jose, CA 95113  
Phone: 408-817-6850  
Fax: 408-817-6851

### Colorado

600 17th St.,  
Stop 1005 DEN  
Denver, CO 80202-2490  
Phone: 303-446-1012  
Fax: 303-446-1011

### Connecticut

135 High St., Stop 219  
Hartford, CT 06103  
Phone: 860-756-4555  
Fax: 860-756-4559

### Delaware

409 Silverside Road  
Wilmington, DE 19809  
Phone: 302-791-4502  
Fax: 302-791-5945

### District of Columbia (Maryland)

31 Hopkins Plaza, Rm. 940  
Baltimore, MD 21201  
Phone: 410-962-2082  
Fax: 410-962-9340

### Florida (Ft. Lauderdale)

7850 SW 6th Court,  
Rm. 265  
Plantation, FL 33324  
Phone: 954-423-7677  
Fax: 954-423-7680

### Florida (Jacksonville)

841 Prudential Drive,  
Suite 100  
Jacksonville, FL 32207  
Phone: 904-665-1000  
Fax: 904-665-1817

### Georgia

401 W. Peachtree St., NW  
Summit Bldg., Rm. 510,  
Stop 202-D  
Atlanta, GA 30308  
Phone: 404-338-8099  
Fax: 404-338-8096

### Hawaii

300 Ala Moana Blvd.,  
#50089  
Stop H-405 / Rm. 1-214  
Honolulu, HI 96850  
Phone: 808-539-2870  
Fax: 808-539-2859

### Idaho

550 W. Fort St., Box 041  
Boise, ID 83724  
Phone: 208-334-1324  
Fax: 208-334-1977

### Illinois (Chicago)

230 S. Dearborn St.  
Rm. 2855, Stop-1005 CHI  
Chicago, IL 60604  
Phone: 312-566-3800  
Fax: 312-566-3803

### Illinois (Springfield)

320 W. Washington St.,  
Rm. 611  
Stop 1005 SPD  
Springfield, IL 62701  
Phone: 217-527-6382  
Fax: 217-527-6373

### Indiana

575 N. Pennsylvania St.  
Rm. 581 - Stop TA770  
Indianapolis, IN 46204  
Phone: 317-226-6332  
Fax: 317-226-6222

### Iowa

210 Walnut St.  
Stop 1005 DSM, Rm. 483  
Des Moines, IA 50309  
Phone: 515-284-4780  
Fax: 515-284-6645

### Kansas

271 West 3rd St. North  
Stop 1005-WIC, Suite 2000  
Wichita, KS 67202  
Phone: 316-352-7506  
Fax: 316-352-7212

### Kentucky

600 Dr. Martin Luther King  
Jr. Place, Rm. 622  
Louisville, KY 40202  
Phone: 502-582-6030  
Fax: 502-582-6463

### Louisiana

600 South Maestri Place,  
Stop 2  
New Orleans, LA 70130  
Phone: 504-558-3001  
Fax: 504-558-3348

### Maine

68 Sewall St., Rm. 313  
Augusta, ME 04330  
Phone: 207-622-8528  
Fax: 207-622-8458

### Maryland

31 Hopkins Plaza, Rm. 940  
Baltimore, MD 21201  
Phone: 410-962-2082  
Fax: 410-962-9340

### Massachusetts

25 New Sudbury St.,  
Rm. 725  
Boston, MA 02203  
Phone: 617-316-2690  
Fax: 617-316-2700

### Michigan

McNamara Federal Bldg.  
477 Michigan Ave.  
Rm. 1745 - Stop 7  
Detroit, MI 48226  
Phone: 313-628-3670  
Fax: 313-628-3669

### Minnesota

316 North Robert St.  
Stop 1005 STP, Rm. 383  
St. Paul, MN 55101  
Phone: 651-312-7999  
Fax: 651-312-7872

### Mississippi

100 West Capitol St.,  
Stop JK31  
Jackson, MS 39269  
Phone: 601-292-4800  
Fax: 601-292-4821

### Missouri

1222 Spruce St.  
Stop 1005 STL,  
Rm. 10.314  
St Louis, MO 63103  
Phone: 314-612-4610  
Fax: 314-612-4628

### Montana

10 West 15th St.,  
Suite 2319  
Helena, MT 59626  
Phone: 406-441-1022  
Fax: 406-441-1045

### Nebraska

1313 Farnam St.  
Stop 1005 OMA, Rm. 208  
Omaha, NE 68102  
Phone: 402-221-4181  
Fax: 402-221-3051

### Nevada

4750 W. Oakey Blvd.,  
Stop 1005 LVG  
Las Vegas, NV 89102  
Phone: 702-455-1241  
Fax: 702-455-1216

### New Hampshire

Thomas J. McIntyre  
Federal Bldg.  
80 Daniel St., Rm. 403  
Portsmouth, NH 03801  
Phone: 603-433-0571  
Fax: 603-430-7809

## Taxpayer Advocate Service Directory

### New Jersey

955 South Springfield Ave.,  
1st Floor  
Springfield, NJ 07081  
Phone: 973-921-4043  
Fax: 973-921-4355

### New Mexico

5338 Montgomery  
Blvd., NE  
Stop 1005 ALB  
Albuquerque, NM 87109  
Phone: 505-837-5505  
Fax: 505-837-5519

### New York (Albany)

Leo O'Brien Federal Bldg.  
1 Clinton Square, Rm. 354  
Albany, NY 12207  
Phone: 518-427-5413  
Fax: 518-427-5494

### New York (Brooklyn)

10 Metro Tech Center  
625 Fulton St.  
Brooklyn, NY 11201  
Phone: 718-488-2080  
Fax: 718-488-3100

### New York (Buffalo)

201 Como Park Blvd  
Buffalo, NY 14227-1416  
Phone: 716-686-4850  
Fax: 716-686-4851

### New York (Manhattan)

290 Broadway - 7th Floor  
Manhattan, NY 10007  
Phone: 212-436-1011  
Fax: 212-436-1900

### North Carolina

320 Federal Place, Rm. 125  
Greensboro, NC 27401  
Phone: 336-378-2180  
Fax: 336-378-2495

### North Dakota

657 Second Ave, North  
Stop 1005 FAR, Rm. 244  
Fargo, ND 58102  
Phone: 701-239-5141  
Fax: 701-239-5323

### Ohio (Cincinnati)

550 Main St., Rm. 3530  
Cincinnati, OH 45202  
Phone: 513-263-3260  
Fax: 513-263-3257

### Ohio (Cleveland)

1240 E. 9th St., Rm. 423  
Cleveland, OH 44199  
Phone: 216-522-7134  
Fax: 216-522-2947

### Oklahoma

55 North Robinson  
Stop 1005 OKC, Rm. 138  
Oklahoma City, OK 73102  
Phone: 405-297-4055  
Fax: 405-297-4056

### Oregon

1220 S.W. 3rd Ave.,  
Stop O-405  
Portland, OR 97204  
Phone: 503-326-2333  
Fax: 503-326-5453

### Pennsylvania

#### (Philadelphia)

600 Arch St., Rm. 7426  
Philadelphia, PA 19106  
Phone: 215-861-1304  
Fax: 215-861-1613

#### Pennsylvania

#### (Pittsburgh)

1000 Liberty Ave.,  
Rm. 1602  
Pittsburgh, PA 15222  
Phone: 412-395-5987  
Fax: 412-395-4769

### Rhode Island

380 Westminster St.  
Providence, RI 02903  
Phone: 401-525-4200  
Fax: 401-525-4247

### South Carolina

1835 Assembly St., Rm.  
466, MDP-03  
Columbia, SC 29201  
Phone: 803-253-3029  
Fax: 803-253-3910

### South Dakota

115 4th Ave, Southeast  
Stop 1005 ABE, Rm. 114  
Aberdeen, SD 57401  
Phone: 605-226-7248  
Fax: 605-226-7246

### Tennessee

801 Broadway, Stop 22  
Nashville, TN 37202  
Phone: 615-250-5000  
Fax: 615-250-5001

### Texas (Austin)

300 E. 8th St.  
Stop 1005-AUS, Rm. 136  
Austin, TX 78701  
Phone: 512-499-5875  
Fax: 512-499-5687

### Texas (Dallas)

1114 Commerce St.  
MC 1005DAL, Rm. 1004  
Dallas, TX 75242  
Phone: 214-413-6500  
Fax: 214-413-6594

### Texas (Houston)

1919 Smith St.  
Stop 1005 HOU, Rm. 1650  
Houston, TX 77002  
Phone: 713-209-3660  
Fax: 713-209-3708

### Utah

50 South 200 East, Stop  
1005 SLC  
Salt Lake City, UT 84111  
Phone: 801-799-6958  
Fax: 801-799-6957

### Vermont

Courthouse Plaza  
199 Main St.  
Burlington, VT 05401-8309  
Phone: 802-860-2089  
Fax: 802-860-2006

### Virginia

400 N. 8th St., Rm. 916  
Richmond, VA 23240  
Phone: 804-916-3501  
Fax: 804-916-3535

### Washington

915 2nd Ave., Stop W-405  
Seattle, WA 98174  
Phone: 206-220-6037  
Fax: 206-220-4900

### West Virginia

425 Julianna St., Rm. 3012  
Parkersburg, WV 26101  
Phone: 304-420-6616  
Fax: 304-420-6682

### Wisconsin

310 W. Wisconsin Ave.  
Suite 1298 West Tower,  
Stop 1005 MIL  
Milwaukee, WI 53203  
Phone: 414-297-3046  
Fax: 414-297-3362

### Wyoming

5353 Yellowstone Road  
Cheyenne, WY 82009  
Phone: 307-633-0800  
Fax: 307-633-0918

### International-Puerto Rico

San Particio Office Bldg  
7 Tabonuco St., Rm. 200  
Guaynabo, PR 00966  
Phone:  
787-622-8930 (Spanish),  
787-622-8940 (English)  
Fax: 787-622-8933

## Changes to third party authorizations

### Oral consents

The Taxpayer Bill of Rights II (TBOR II) and revised 26 CFR 301.6103(c) - 1(c)

authorize the IRS to disclose tax information pursuant to a taxpayer's oral request or consent when, and only when, assistance is needed to resolve a federal tax matter.

In response to TBOR II and the revised regulation, the IRS introduced two disclosure authorization products to allow taxpayers' designees to discuss with the IRS specific notice issues or to discuss specified tax matters.

The first product, an Oral Disclosure Consent (ODC), authorized the IRS to orally disclose information to the designee and only on specific notice issues.

- The taxpayer phones **800.829.1040**. After identity verification, the name of the designee is provided and is recorded directly onto the tax account.
- The authorization expires when the specific notice issue is resolved.

The second product, the Oral Tax Information Authorization (OTIA), is the oral equivalent of a Form 8821, *Tax Information Authorization*. An OTIA allows the IRS to exchange oral and written information with the designee on tax matters specified in the authorization.

- The taxpayer phones **800.829.1040** and advises the assistant he wishes to grant an OTIA. Following identity verification of the taxpayer, the call is transferred to a CAF Unit where an assistant directly records the authorization information onto the CAF.
- The taxpayer may authorize the IRS to automatically provide the designee with copies of notices.

- There are no limitations on the type of specified account information that may be disclosed.

All OTIAs are recorded on the Centralized Authorization File (CAF), which provides nationwide notice of an authorization.

### Third party designee or checkbox authorization

The Third Party Designee or Checkbox authorization was designed to acknowledge our diverse taxpayer base (IRS Policy Statement P-6-41) and to respond to TBOR II. Originally, the taxpayer granted the IRS the authority to disclose oral information to a designee on issues limited to return processing, refunds and payments related to that return.

From its introduction through 2003, this product has expanded from allowing only return preparers as designees to any third party, including "friends and family" and legal, accounting and tax preparation firms. The authorization first appeared on forms in the 1040 series (except 1040X and Tele-File). By 2003, it was also included on forms in the 94X series and Forms 720, 1041, 1120, 2290 and CT-1.

Expiration of the original Checkbox authorization was keyed to certain steps in account processing. While designed to protect taxpayer privacy, the expiration criteria occasionally disrupted the problem resolution process.

### Effective Jan. 1, 2004:

- The Third Party Designee authorization will be expanded to serve as the equivalent of a Form 8821, *Tax Information Authorization*.
- The IRS will be able to disclose

account information, both orally and in writing, on account issues arising from the tax return upon which the authorization was granted.

- Disclosure in written form (e.g. transcripts, content of notices) will be provided upon the designee's request.
- The authorization will no longer be confined to return processing, refund and payment issues.
- The authorization will expire one year from the due date of the tax return, without extensions.
- The authorization will be recorded directly onto the taxpayer's Master File account and not on the CAF.

### Terminating the authorization

As with all authorizations, the taxpayer may revoke an OTIA or Checkbox authorization at any time. The designee may withdraw from the authorization at any time.

Once all tax account issues specified in the authorization have been resolved, both parties should consider whether the authorization should remain in force.

A statement of revocation by the taxpayer or a statement of withdrawal by the third party must be made in writing and must contain the following elements:

- clear intent.
- identification of the taxpayer — taxpayer name, Social Security Number or employer identification number.
- identification of the other party to the authorization you wish to revoke.
- identification of the tax matters — tax form number(s) and tax period(s).

*Continued on page 46*

**DIRECT DEPOSIT OF REFUNDS**

**E**nter all the required information to insure the refund is credited to the correct bank account. If an incorrect bank account number and/or Routing Transit Number (RTN) is entered by the taxpayer, preparer or electronic return originator, the IRS does not have the authority to recover the refund from the account holder that receives the refund in error. *Taxpayers must contact their financial institution to resolve the erroneous deposit.*

Taxpayers will receive a paper refund check and a notice if:

- Required information is missing or incomplete.
- RTN does not match the master list of valid RTNs.
- RTN is for a foreign bank.
- Power of Attorney is on file and third party is authorized to receive refund.
- Return is a decedent return.
- Return is for a prior year.
- \$10,000 or more in withholding and zero tax is owed.
- Math error of more than \$50.
- More than two direct deposits are requested for the same account.

**Changes to third party authorizations**

*Continued from page 45*

- dated signature of the party terminating the authorization.

This statement of revocation can be mailed or faxed to any Centralized Authorization File (CAF) Unit. *(See addresses and phone numbers below).* A copy of the original authorization

with the word “Revoke” or “Withdraw” written at the top of the form with a current dated signature is acceptable. Once received, the necessary actions will be taken to remove the authorization from IRS records and parties to the action will be notified

**Where to send authorization requests**

**P**ower of Attorney or Tax Information Authorization requests should be directed to Memphis or Ogden. If your principal business, office or agency or legal residence in the case of an individual, is located in: Alabama, Arkansas, Connecticut, Delaware, District Of Columbia, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia or West Virginia, write, call or fax :

**Memphis Accounts Management Center, CAF Unit**  
**5333 Getwell Road, Stop 8423**  
**Memphis, TN 38118**  
**Fax: 901.546.4115**  
**Phone: 901.546.4176**

If your principal business, office or agency or legal residence in the case of an individual, is located in:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin or Wyoming, write, call or fax:

**Ogden Accounts Management Center, CAF Unit**  
**1973 North Rulon White Blvd.**  
**Stop 6737**  
**Ogden, UT 84404**  
**Fax: 801.620.4249**  
**Phone: 801.620.4254**

International requests will continue to be processed at:

**Philadelphia Accounts Management Center, CAF Unit**  
**11601 Roosevelt Blvd. DPSW 312**  
**Philadelphia, PA 19255**  
**Fax: 215.516.1017**  
**Phone: 215.516.5996**

We are processing faxed requests in 48 hours and paper requests in five business days.

**Unenrolled Return Preparer**

**R**evenue Procedure 81-38 prescribes the standards of conduct, scope of authority and the circumstances under which an individual preparer of tax returns may engage in limited practice without enrollment before the IRS, pursuant to Section 10.7(a)(7) of Treasury Department Circular No. 230.

“Practice” or representation includes advocating facts or law, acting on behalf of, and/or negotiating or signing on behalf of a taxpayer.

In order to qualify to engage in practice, the unenrolled return preparer is limited to contacts with IRS customer service representatives (CSRs) and examination officers with respect to a federal tax liability arising from a tax return he prepared. He is granted representational authority by the taxpayer via Form 2848, *Power of Attorney and Declaration of Representative*, designation level “H”.

*Continued on page 48*

## Third Party Authorizations

There are various methods by which 3rd parties may be granted the authority to assist taxpayers in resolving tax issues. The chart below identifies the products available for addressing a taxpayer's specific needs and the means of submitting an authorization. All the products allow for the exchange of information with the IRS for purposes of resolving a tax issue.

|  | Tax Information Authorizations   |  |   | Limited TIAs  |  |
|--|--|--|---|---|--|
|  | Written/Electronic   | Oral   | On Tax Return   | Oral  | Written  |
| <b>Purpose</b>   | Allows a third party to receive account information specific to the allowances of each authorization   |  |   |   |  |
| <b>Authority to represent (advocate facts or law, negotiate or sign on behalf of taxpayer)</b> | Allows a third party to represent a taxpayer before the IRS  | No   | No  | No  | No   |
| <b>Who Can Exercise this Authority</b>   | Yes  | No   | No  | No  | No   |
| <b>Authority Granted to a Firm and Extends to Employees</b>                                    | Attorneys, CPAs, Enrolled Agents/Actuaries, Immediate Family Members, Full-Time Employees, General Partners, Officer, Unenrolled Return Preparer Engaging in Limited Practice and certain others.(1) | Anyone   | Anyone  | Anyone  | Companies (RAs, batch and bulk filers) approved in accordance with Rev. Proc 96-17 thru 18 (2) |
| <b>How is Authority Granted</b>  | No   | Yes  | Yes   | No  | Yes  |
| <b>Where Authorization is Maintained and How Retrieved</b>                                     | Form 2848 (Power of Attorney and Declaration of Representative), Form 706 (Estate Tax Return), or written equivalent   | Form 8821 (Tax Information Authorization) or equivalent.   | Taxpayer designates directly on tax return in Third Party Designee box (Forms 1040 and 94X series, Forms 720, 1041, 1120, 2290, and CT-1.                               | Taxpayer calls 800-829-1040, provides name of designee for specific notice issue only, recorded to account. | Form 8655 (Reporting Agent Authorization for Magnetic Tape/Electronic Filers)                  |
| <b>Notices/Transcripts</b>   | CAF and Master File - available on IDRS CFINK  | CAF and Master File - available on IDRS CFINK  | Master File - available on IDRS TXMOD/IMFOLR or BMFOLR  | Master File - available on IDRS TXMOD   | RAF and Master File - available on IDRS RFINQ  |
| <b>Must have CAF #</b>   | When specified   | When specified   | Upon Request  | No  | When Specified   |
| <b>Expiration of Authority</b>   | No, only if desire automatic notice copies   | No, only if desire automatic notice copies   | No  | No  | RAF Number   |
| <b>Processing Time</b>   | Taxpayer Revokes Designee Withdraws Always in Writing. A new Form 2848 supersedes an existing Form 2848 unless Line 8 is checked   | Taxpayer Revokes Designee withdraws Always in writing. A New Form 8821 does not supersede an existing Form 8821. | Taxpayer Revokes Designee Withdraws Always in writing or automatic expiration one year from due date of the tax return upon which it is granted, whichever occurs first | Concurrent with resolution of specific notice issue   | Valid until terminated May co-exist with Form 2848   |
|  | Disclosure Authorization (internet) -Immediate Priority Fax - 24 hrs Fax 2 days Mail 5 days  | Disclosure Authorization (internet) -Immediate Priority Fax - 24 hrs Fax 2 days Mail 5 days                      | 4-6 weeks   | Immediate   | 10-30 days   |

(1) Others include trustee, receiver, guardian, personal representative, administrator, executor.

(2) Form 8655 allows a reporting agent to file returns. submit FTDs electronically or on magnetic tape. May receive oral and written information with respect to returns filed or FTDs submitted by the agent.

## Representing a client when there is a conflict of interest

Except as explained in the next paragraph, you may not represent a client in your practice before the IRS if the representation involves a conflict of interest. A conflict of interest exists if:

- The representation of one client will be directly adverse to another client; or
- There is a significant risk that the representation of one or more clients will be materially limited by your responsibilities to another client, a former client or a third person or by a personal interest of your own.

However, you may represent a client if:

- You reasonably believe that you will be able to provide competent and diligent representation to each affected client;
- The representation is not prohibited by law; and
- Each affected client gives informed consent, confirmed in writing.

You must keep copies of the written consents for at least 36 months from the date of the conclusion of the representation of the affected clients, and you must provide the written consents to any IRS officer or employee on request. See section 10.29 of the regulations governing practice before IRS (Circular 230) for more information. You can access Circular 230 under *Basic Tools for Tax Practitioners* on the Tax Professionals' page of [irs.gov/](http://irs.gov/).

## Unenrolled return preparer continued from page 46

### Limits on Practice

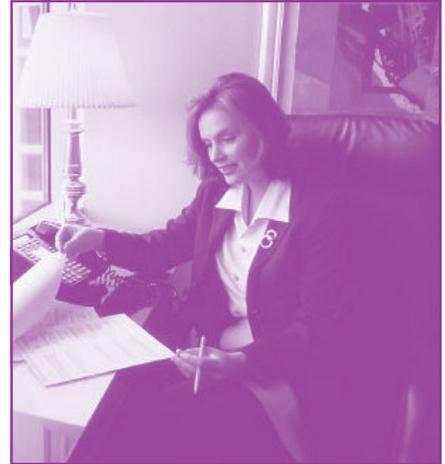
Acts specifically prohibited are:

- Executing claims for refund
- Receiving IRS checks for taxes, penalties or interest (refunds),
- Executing consents to extend any statutory period of assessment or collection of tax,
- Executing waivers of restriction on assessment or collection of a deficiency in tax.
- Executing closing agreements with respect to a tax liability or specific matter,
- Executing and negotiating payment agreements
- Representation before IRS Appeals and Collection including the Automated Collection System (ACS) Unit.

### Tax Information Authorization

When an unenrolled return preparer does not meet the criteria for engaging in limited practice, he may be designated by the taxpayer to receive account information and transcripts and copies of notices on a tax information authorization (TIA).

The authorization can be submitted using Form 8821, *Tax Information Authorization*. (The mailing addresses and fax numbers are on page 44.) The taxpayer may also orally grant the authorization by calling **1.800.829.1040**. Once the caller's identity is verified, the call is transferred to a Centralized Authorization File (CAF) Unit where an assistor will record the authorization directly into IRS records. The taxpayer should be prepared to provide the same



information required by Form 8821:

- Taxpayer name and Social Security or employer identification number
- Name, address and CAF Number (if available) of Appointee
- Type of tax(es) and tax period(s)

This authorization is known as an Oral Tax Information Authorization (OTIA) and is only available for the purpose of resolving federal tax matters.

If the unenrolled return preparer is a registered and authorized user of the IRS e-services product, *Disclosure Authorization (DA)*, Forms 2848 or 8821, may be transmitted to the IRS through the Internet on behalf of the taxpayer. DA will be available in Spring 2004.

Form 2848 should be used to designate an unenrolled return preparer only when the designee is entitled to engage in limited practice (prepared the tax return at issue and is engaged in discussions with a CSR or Exam employee). Otherwise, Form 8821 should be used to authorize the unenrolled return preparer to inspect and receive information from the IRS.

## 2004 TAX FORUMS

Each summer, the IRS hosts 3-day tax forums in prominent locations across the nation. These forums provide up-to-date tax-related information to help equip the tax professional community to better serve taxpayers. Last year, 17,000 tax professionals attended the forums.

The forums feature basic and advanced seminars on a variety of IRS programs, practices and policies. Practitioners can earn valuable continuing professional education credits for attending seminars on compliance initiatives, income tax law changes, electronic filing and more. In addition to receiving updates directly from IRS executives, practitioners can exchange ideas with colleagues and meet with vendors to learn how the latest technology can help with their business, as well as bring their toughest unresolved case or question to IRS representatives for on-site resolution. And they can hear how our new e-services products can help them when they enroll to become an Electronic Return Originator (ERO).

As soon as locations and seminar topics for the 2004 tax forums are finalized, details will be posted on the *Tax Professionals* page of [irs.gov](http://irs.gov). It's always important to register early – hotel space fills up quickly.

## Facts about refund checks

A refund check will be returned to the IRS if the address on the check is not the most current. The refund will not be reissued until IRS is notified of the new address. Complete and return Form 8822, *Change of Address*, to notify the IRS. If a refund check is lost or stolen, a completed Form 3911, *Taxpayer Statement Regarding Refund*, or a detailed letter must be sent to the IRS.

### Reminders:

- Allow for the normal processing time before you inquire about refunds:
  - Paper – 6 weeks
  - e-file/TeleFile – 3 weeks
  - 1040X – 8–12 weeks
  - Business Returns – 6 weeks
- If a check was issued for a joint return, both signatures must be present on the Form 3911.
- The IRS and Financial Management Service (FMS) determine if the check



has been cashed. If the original check has not been cashed, a replacement check will be issued. If the check has been cashed, a photocopy of the check will be mailed to the taxpayer with a claim Form 1133. The completed form should be returned to FMS at the address provided. The investigation of lost or stolen refund checks that have been cashed is a time-consuming process. Taxpayers can expect a delay of three months to a year before another check is issued.

- Refund checks that are not cashed within one year of the issuance date are automatically cancelled.
- Refund checks will not be split because of a family dispute, even though a divorce decree or other civil action may so direct.
- Overpayments will offset federal tax debts and nontax debts such as child support before the refund is issued.

## Practitioner Priority Service — your first point of contact

Our Practitioner Priority Service is a professional support line (1.866.860.4259) staffed by IRS customer service representatives specially trained to handle practitioners' accounts questions.

Practitioner Priority Service is a toll-free, accounts-related service for all tax practitioners nationwide. It is the practitioner's first point of contact for assistance regarding taxpayers' account-related issues. The hours of service are weekdays, 7:30 a.m. until 5:30 p.m. local time (with the exception of Alaska and Hawaii, which are Pacific Time).

Questions regarding client's individual tax accounts (IMF) are handled by one of three campus sites: Brookhaven, N.Y.; Memphis, Tenn. and Philadelphia, Penn. Questions regarding client's business accounts (BMF) are handled by two campus sites: Cincinnati, Ohio, and Ogden, Utah. Calls are routed based on an evaluation of the lowest expected wait time. Issues outside the scope of the employees' authority are transferred or referred to the appropriate IRS functions.

## Transcripts and photocopies of returns

### What is a transcript?

**A** Tax return transcript is a printout of most lines from the original return. It is often used instead of a photocopy of a return. It is commonly used to amend a return, answer a notice from the IRS, meet information requirements for college grants, loans, federally funded mortgages or social service agencies and to obtain alien clearance. A tax account transcript also shows adjustments made to the account after the return was filed.

### Getting transcripts is fast, easy and free.

- Dial **1.800.829.1040**.
- If you reach a customer service representative (CSR), tell the CSR you wish to order a transcript of a tax return or account.
- If you reach an automated voice message, you will hear a list of menu options. Listen for the option which says "... for questions about your personal tax records ...". Press the number for that option.
- Continue listening and enter the taxpayer's Social Security Number (SSN) when asked. (If the taxpayer filed a joint return, enter the first SSN entered on the return.) Continue providing requested information including the tax year and

taxpayer address. The transcript should arrive in the mail to the taxpayer address of record within 10 to 15 days.

### Too busy to call?

Mail us a Form 4506-T, *Request for Transcript of Tax Return*. The form is available at [www.irs.gov](http://www.irs.gov) or by calling **1.800.829.3676**. The taxpayer signature is required. Mail the form to the address indicated in the instructions. The transcript should arrive in the mail within 10-15 days of IRS receipt of the request.

### Need a photocopy instead?

Complete Form 4506, *Request for Copy of Tax Return*, attach the \$39 fee per return, and mail to the address indicated in the instructions. Allow 60 days from date of IRS receipt to receive a photocopy.

Allow at least 6 weeks after the original return is filed before requesting a copy or other information. Information may not be available for returns filed more than 6 years ago. If you are seeking information about or copies of Forms W-2 and 1099, for any year, contact the employer first. Call the IRS at **1.800.829.1040** after Feb. 14 if you need help in obtaining current filing season forms. Previously filed Form W-2 information is available by July of the year following the year of earnings.

## Application fee for Offers in Compromise

**B**eginning Nov. 1, 2003, the IRS began charging a \$150 application fee for the processing of offers in compromise. The IRS expects that this fee will help offset the cost of providing this service as well as reduce frivolous claims.

The law authorizes federal agencies to charge fees to defray the costs of providing certain services. Guidelines encourage such fees for benefits beyond those provided to the general public. The IRS anticipates the fee also will reduce the number of offers that are filed inappropriately — for example, solely to delay collection — enabling the agency to redirect resources to the processing of acceptable offers.

"The application fee will provide funding to recover some of the costs associated with the offer in compromise program and reduce the number of inappropriate filings," said Dale Hart, Commissioner, Small Business/Self-Employed Division.

An offer in compromise (OIC) is an agreement

between a taxpayer and the IRS that resolves the taxpayer's tax liability. Under certain circumstances, the IRS has the authority to settle federal tax liabilities by accepting less than full payment. To submit an OIC, a taxpayer must use the May 2001 version of the Form 656 *Offer in Compromise* package.

All taxpayers who file an OIC will have to pay the application fee with their submission unless the offer is based solely on doubt as to liability or the taxpayer's total monthly income falls at or below income levels based on the Department of Health and Human Services poverty guidelines. Taxpayers who claim the poverty guideline exception must certify their eligibility using Form 656-A, *Offer in Compromise Application Fee Instructions and Certification*.

More information on the OIC application fee is available at [www.irs.gov](http://www.irs.gov) or by calling the IRS taxpayer assistance line at **1.800.829.1040**.

## TOP ERRORS BY PAID PREPARERS ON 2003 BUSINESS RETURNS

In 2003, the IRS sent hundreds of thousands of error notices for name/Employer Identification Number (EIN) mismatches on Forms 940, 941, 1065, 1120 and 7004. These notices cost taxpayers and return preparers time and money to identify and send corrected information to the IRS. Of the errors, 80 percent resulted from the use of a DBA (Trade Name) on the top name line instead of the legal name submitted on Form SS-4, *Application for Employer Identification Number*. The IRS matches the legal name to the EIN, and when they don't match, a notice is sent. When the IRS can't resolve the problem based on the return information, then taxpayers and return preparers have to get involved.

What's the easiest way to avoid this and similar errors? When returns are filed electronically, simple checks are made by the system to insure such errors are not present. Return preparers are notified immediately of mismatches, and corrections can be made while the paperwork is readily available.

Below are additional significant filing errors. These can also be corrected through e-filing.

### Forms 941

1. Liability section (Schedule B) was not completed when necessary or it didn't match the total tax on the return.
2. Social Security and Medicare taxes were not correct based on the amount of wages reported.
3. Errors in computing balance due or overpayment amount.

### Forms 1065

1. Number of Schedule K-1s attached not accurately reported on line I.
2. Business code number on line C incorrect or not present.

### Forms 1120

1. Math errors in computing balance due or overpayment.
2. Math errors in computing income and/or deduction totals.
3. Total assets not present when required (line D).
4. Errors in tax computation.

## TOP ERRORS BY PAID PREPARERS ON 2003 1040s (paper)

*Note: Rate Reduction Credit errors are for tax year 2001 returns that are now being corrected in the Error Resolution System.*

1. Taxpayer Identification Numbers or names for dependents didn't match IRS or SSA records. We didn't allow the exemptions.
2. Rate Reduction Credit was not claimed. We computed it.
3. Taxpayer Identification Numbers or names for dependents didn't match IRS or SSA records. All or part of Child Tax Credit not allowed.
4. Earned Income Credit was figured or entered incorrectly.
5. Spouse's SSN was either missing or didn't match SSA records. Spouse's personal exemption wasn't allowed.
6. Child/children's age exceeded the limit. Child Tax Credit was reduced or removed.
7. SSN for child(ren) who qualify taxpayer for Earned Income Credit didn't match SSA records. Earned Income Credit was changed.
8. Additional Child Tax Credit was figured incorrectly on Form 8812.
9. Taxable amount of Social Security benefits for page 1 was figured incorrectly.
10. Based on information reported, we refigured the tax using the filing status for a single person.

# Underreporter Program analyzes unreported income

The Automated Underreporter Program (AUR) reviews individual returns with potential underreported income and/or overclaimed deductions. The returns for a specific tax year are identified and computer matched with documents from the Information Returns Program (IRP), i.e., Forms W-2, W-2P, 1099, 1098, 5498, etc. For example, a W-2 for wages is compared to the wages reported on the return, and a 1099-INT for interest is compared to the interest reported on the return.

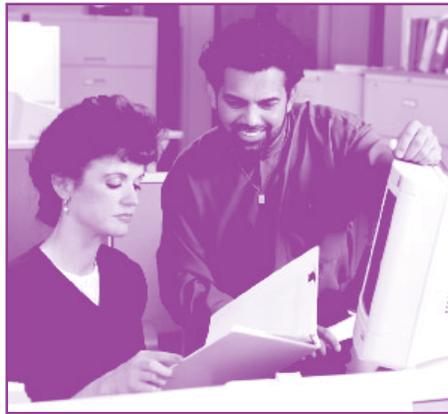
When amounts reported on the return do not match the amounts on IRP documents, a potential Underreporter case is created on an automated database. The case within the database shows all income that the taxpayer reported to the IRS for the tax year in question, all the taxpayer data from the IRP file and a history of account transactions which is updated weekly. During the initial review, a tax examiner performs an in-depth analysis of the case. The examiner determines if all income in question can be identified on the tax return. If it can be found, the case is closed, and the taxpayer is never contacted. If the income cannot be located or readily identified on the return, a CP-2501 or CP-2000, depending on the issues involved, is sent to the taxpayer.

If, in the course of the review, the examiner finds a discrepancy that would result in a refund, a notice would be issued to verify the refund is appropriate.

The CP-2501 notice asks the taxpayer to explain where on the return the income is reported. This inquiry notice has no figures or proposed balance due amounts. If

the discrepancy is explained or supporting documentation is submitted, the case is closed with no change to the tax liability, and the taxpayer is informed that all issues are resolved. If the taxpayer fails to respond or submits insufficient information, a CP-2000 notice is issued.

The CP-2000 is a proposal to



change the income, deductions, tax credits or payments reported on the return. It is not a demand for payment. The taxpayer is asked to respond within 30 days from the date of the notice.

Many cases are closed agreed with a signed consent statement and/or full payment. If the taxpayer agrees to some of the proposed changes and satisfactorily explains the remaining issue(s), a second CP 2000 reflecting the amounts the taxpayer has agreed to is issued.

When the taxpayer responds within the requested time and provides sufficient documentation that the income is not taxable or that the deduction was appropriately claimed, the case is closed with no change to the tax liability.

If the CP 2000 notice comes back undelivered, and the IRS cannot locate an updated address or a

response is not received from the taxpayer, a 90-day Statutory Notice of Deficiency is issued. Before generating statutory notices, the account is reviewed for any changes including payments. If full payment is found, the case can be closed at that time. If there is no indication of a response, an updated address or full payment, the Statutory Notice of Deficiency is mailed. A taxpayer who disagrees with the notice has 90 days to petition the U.S. Tax Court. Whether or not the taxpayer petitions the court, the taxpayer has appeal rights during all phases of the Underreporter process. Any information the taxpayer submits to resolve the disagreement is considered. If there is no response, or the certified statutory notice is unclaimed or refused at the post office, the tax, interest and penalties are assessed by default after the 90-day deadline is past. A balance due notice is then sent to the taxpayer and the case goes to collection.

Even after a case is in collection status, the taxpayer can still disagree with the assessment and send correcting statements, letters from banks, etc., for consideration to have the tax, penalties or interest reduced or abated. This process is also worked in the Underreporter area.

The IRS doesn't recommend that taxpayers file an amended return as a response to the CP 2000 or the statutory notice as submission of a Form 1040X could delay processing. However, if the taxpayer does respond with a Form 1040X, it will be considered when the case is processed and the AUR examiner will take all necessary actions.

# Statute of Limitations

The Internal Revenue Code states that the IRS can assess tax, make overpayment, and collect unpaid taxes within a specific period, known as the Statute of Limitations. When the Statute of Limitations expires for a tax return, the IRS can no longer allow the taxpayer's claim for overpayment or assess additional tax for that return.

Ordinarily, as a rule, the Assessment Statute Expiration Date (ASED) is three years from the tax period due date, or three years from the received date of the original return, whichever is later. As in the case of the assessment period, a return filed before the due date is considered as having been filed on the due date for the purpose of the limitation period on refunds and credits. However, if a return is filed delinquent or within the period of an extension of time to file, then the actual filing date is the governing date. The Statute will not expire until the taxpayer files a return and three years have elapsed. Tax Forms 941, 943 and 945 are exceptions. The ASEDs for these tax returns are three years from April 15 of the year following their due date, or from the received date, whichever is later.

**Refund Statute Expiration Date (RSED).** This is generally the period of time you have to file a claim for refund or credit. It also sets limits on the amount you are allowed as a credit or refund before and after the period of limitation on filing a claim.

**The period of limitation for filing claims.** Generally it will expire if a claim is not filed within three years from the time the

original return was filed or two years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within two years from the time the tax was paid, whichever is later.

To be timely, a claim for refund/credit must be filed within three years of the original return. If your

tax credit, etc.) within three years of the Return Due Date (RDD), plus extensions, including the time of extension granted by a Presidential Declared Disaster.

If the original return was filed timely and the claim is being filed more than three years after the original, the amount of refund/credit is limited to the amount of the tax

paid within the two years immediately preceding the filing of the claim. If no return was filed, the claim is allowable when filed within two years from the date the tax was paid.

The RRA '98, Section 3202, allows for the suspension of the statute on filing overpayment claims during periods of disability. Section 3202 suspends the

running of the statute of limitations on refunds during the time the taxpayer is medically, physically, or emotionally unable to handle their financial affairs. The disability must be medically determinable and must continually last for not less than 12 months or result in the death of the taxpayer. It does not suspend the statute of limitations for taxpayers that have a spouse or other guardian to act for them during the periods of disability. Section 3202 does not apply to any claim for refund or credit that is barred as of the date of enactment, July 22, 1998.

The Collection Statute Expiration Date (CSED) is 10 years from the date of assessment of tax. If no return is filed for a tax period, the CSED cannot be computed and will not expire.



original return was filed by April 15, 2000, you have until April 15, 2003, to file a claim. While the claim may be timely for the decrease in tax, the refund/credit may be limited. Prepaid credits may not be refunded or offset unless claimed within three years of the due date or extended due date of the return.

If the original return was filed late and the claim is being filed within three years of the original, the amount of refund/credit may be limited to the amount of tax paid within the three years immediately preceding the filing of the claim, plus any extensions of time for filing. The IRS must receive an original delinquent return, claiming a refund/credit of prepaid credits (federal tax withheld, timely estimated tax payments, earned income

# Estimated Tax Penalties

## Individuals, Estates and Trusts

If you expect to owe tax of \$1,000 or more for the tax year, you must prepay the tax by having tax withheld or by making estimated tax payments. We charge a penalty when the total tax you pay during the year doesn't meet the requirements of the law. Generally, to meet the requirements of the law (and avoid the penalty), you must make estimated tax payments if you expect to owe at least \$1,000 after subtracting your withholding and credits) and you expect your withholding and credits to be less than the smaller of:

- 90 percent of the tax shown on your current year's tax return, or
- The tax shown on your preceding year tax return (110 percent of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately, more than \$75,000). (Note: This item does not apply if you did not file a preceding year tax return or that return did not cover 12 months.)

**Exception:** You do not have to make estimated tax payments if you had no tax liability for the full 12 months of the preceding tax year. Also, an individual must be a U.S. citizen or resident alien for the entire tax year.

## Due dates and additional information

For 2003, estimated tax payments for calendar year taxpayers are due April 15, June 16 and Sept. 15, 2003 and Jan. 15, 2004. You do not have to make the Jan. 15, 2004, payment

if you file your 2003 tax return by Jan. 31 and pay the entire balance due with your return. For due dates for fiscal year taxpayers and additional information about estimated taxes and your 2003 tax liability, see Form 1040-ES, *Estimated Tax for Individuals*, or Form 1041-ES, *Estimated Tax for Estates and Trusts*.

Form 2210, *Underpayment of Estimated Income Tax by Individuals, Estates and Trusts*, is used to determine if an individual or fiduciary is subject to the penalty for underpayment of estimated tax and, if so, the amount of the penalty. You do not need to file Form 2210 in most cases. The IRS will figure any penalty you owe and send you a bill. File Form 2210 only if one or more of the boxes in Part I of Form 2210 apply to you. If you are not required to file Form 2210, you may use it to figure your penalty if you wish to do so. Enter the penalty on your return but do not file Form 2210. For more information on when the estimated tax penalty may be reduced or removed, see the instructions for Form 2210.

## Corporations

A corporation with tax of \$500 or more that fails to pay a correct installment of estimated tax in full by the due date may be subjected to an estimated tax penalty. The penalty rate applies to the period of underpayment for any installment. Compute the penalty at the rate of interest published quarterly by the IRS. For tax years beginning after Dec. 31, 1993, the estimated tax payment required in installments is the lesser of:

1. 100 percent of the tax shown on the return for the preceding year, if that year was a 12-month tax year, and a return

filed for that year showed a tax liability greater than zero.

2. 100 percent of the tax shown for the current year (the current year tax may be determined on the basis of actual income or annualized income).

**Note:** The fact that your prior year's tax was zero does not exempt you from this penalty. In this case, you should annualize your income.

**Large Corporation**— For purposes of payment of estimated tax, a large corporation is one with at least \$1 million of taxable income in any of the last three years. A large corporation is prohibited from using their prior year's tax liability (method (1) above), except in determining the first installment of their tax year. Any reduction in a large corporation's first installment, as a result of using the prior year's tax, must be recaptured in the corporation's second installment. In applying the \$1 million test, taxable income is computed without regard to net operating loss carryovers or capital loss carrybacks.

Form 2220, *Underpayment of Estimated Tax by Corporations*, is used to determine if the corporation is subject to the penalty for underpayment of estimated tax and, if so, the amount of the penalty. Generally, a corporation does not have to file this form because the IRS will figure the amount of the penalty and bill the corporation. A corporation should complete and attach this form to their return if:

- The annualized income installment method and/or the adjusted seasonal installment method is used, or
- The corporation is a large corporation, computing their first installment based on their prior year's tax. The corpora-

*Continued on page 55*

## Estimated tax penalties *Continued from page 54*

tion should attach their annualized income worksheet to Form 2220.

**Note:** For underpayments paid after March 31, 2004: You will need to use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS news release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS Web site at [www.irs.gov](http://www.irs.gov). You can also call 1.800.829.1040 to get interest rate information.

### Abatement of penalties

Section 6651 of the Internal Revenue Code authorizes the abatement of penalties for failure to file tax returns and/or failure to pay tax, if that failure is due to reasonable cause and not willful neglect. Individuals requesting reasonable cause consideration for a penalty normally must submit a written supporting statement. The statement should be filed with the director of the service center where the tax return was required to be filed. The declaration must be made under penalties of perjury and must fully explain the facts related to the reasonable cause. Abatement requests for certain penalties may be made by telephone to a toll-free number shown on the penalty notice. However, in the interest of fairness, the IRS accepts unsigned and oral requests (if the penalty is \$500 or less) with the appropriate documentation by the employee handling the case when no reason exists to question the legitimacy of the request. You may request abatement of penalties for reason-

able cause, but interest cannot be removed for reasonable cause.

**Note:** The tax must be paid before the request can be considered.

Reasonable cause determinations are based on the facts and circumstances of each case. Generally, if the taxpayer exercised ordinary business care and prudence and was still unable to file the return on time, the delay is considered due to reasonable cause. A failure to pay also may be due to reasonable cause if the taxpayer exercised ordinary business care and prudence, yet could not pay the tax liability in a timely manner.

If the IRS determines that failure to file was due to reasonable cause and not willful neglect, this penalty will not be assessed. The taxpayer would still be responsible for the tax owed plus interest due.

**Note:** Late payment penalty and interest will be charged on any tax paid after the original return due date. Even if you are granted an extension to file, you still must pay all of your tax by the original return due date. You may be granted an extension to file but not to pay. Extensions to pay are only granted to United States Estate Tax Returns (Form 706).

### Penalty appeals procedures

If an abatement of a penalty has been denied, and you want to receive further consideration by an Appeals officer, a brief written statement of the disputed issue must be submitted to the service center Appeals coordinator. Provide the following information:

- The name and SSN or EIN of the taxpayer.
- A statement that you want to appeal the findings to Appeals.
- A statement of facts supporting

your position in any contested factual issues and

- Any documentation supporting why you filed/paid your taxes late.
- If available, include a statement outlining the law or other authority on which you relied.

The statement of facts should be detailed and complete, including specific dates, names, amounts, locations, etc. It must be declared true under penalties of perjury. You may do this by adding the following signed declaration to the protest: "Under penalties of perjury, I declare that the facts presented in my written protest, which are set out in the accompanying statement of facts, schedules, and other statements are, to the best of my knowledge and belief, true, correct and complete."

If an authorized representative sends the protest, the following declaration may be substituted: "That he or she prepared the protest and accompanying documents, and whether he or she knows personally that the protest and accompanying documents are true and correct."

Attach Form 2848, *Power of Attorney and Declaration of Representative*, or similar written authorization to your written statement. Send your request to:

#### Internal Revenue Service Center Penalty Appeals Coordinator

The coordinator will review your additional information to determine whether the penalty should be reduced. If the request for appeal cannot be resolved immediately with the additional information, the coordinator will forward the written statement to the Appeals Office servicing your district.

## INSTALLMENT AGREEMENT REDUCES PENALTIES

Taxpayers who don't pay their taxes when they are due may be subject to a failure-to-pay penalty of .50 percent of their unpaid taxes for each month or part of a month the tax is not paid. If they file their return on time and enter into an installment agreement with the IRS, this penalty will be reduced to .25 percent. **Note: If the installment agreement defaults or is terminated, the normal failure to pay penalty charges will resume.**

## Combating abusive tax shelters

As part of a comprehensive strategy to ensure all taxpayers pay their fair share, the Treasury Department and the IRS continue to move aggressively to combat abusive tax avoidance transactions.

This multi-pronged strategy includes requiring prompt disclosure of potentially abusive transactions by taxpayers and promoters, providing more timely analyses of these transactions and publishing legal guidance as early as possible. It also involves auditing taxpayers and promoters to ensure that they have complied with their obligations under the tax rules.

In particular, the IRS conducts promoter examinations to determine whether a promoter has complied with regulations requiring identification of potentially abusive tax avoidance transactions by registering such transactions and maintaining and providing investor lists to the IRS upon request and to determine whether the promoter may be liable for penalties for failure to comply with the registration and list maintenance requirements. Some promoters have cooperated by giving the IRS the information to which it is entitled; however, others have not.

Among the key steps taken as of mid-November 2003:

- The IRS Large and Mid-Size Business Division (LMSB) is investigating 118 promoters (some of which are related) including law firms, investment banks and accounting firms. Sixty-nine of these promoters have provided some information on investors to the IRS.
- Since the beginning of 2002, LMSB has issued 315 administrative summonses in 37 promoters cases (some of which are related) to examine promoters'

compliance with the registration and list maintenance requirements, by requesting information and investor lists.

- Of these summonses, 114 involving 11 promoters have been referred to the Department of Justice for enforcement.
- The Justice Department has filed summons enforcement actions against six promoters.
- Since the beginning of 2002, LMSB has obtained court approval to serve John Doe summonses on 5 promoters.
- With respect to promoters of other abusive transactions (including scams and schemes), the IRS Small Business/Self-Employed Division (SB/SE) currently has 659 promoter cases under investigation in the field and is following up on an additional 406 promoter leads. The SB/SE Lead Development Center is receiving an average of 105 promoter leads per month.
- SB/SE has referred 93 promoter cases to the Justice Department. To date, the courts have ruled against 46 of these promoters — including 31 permanent injunctions — and 37 others are awaiting action by Justice or the courts.

In addition to these efforts to ensure that promoters comply with the law, the IRS and Treasury have taken the following actions to fight abusive tax transactions:

- The IRS and Treasury have identified 25 abusive transactions as *listed transactions* through formal guidance. Shortly after Notice 2003-76 updated this listing with 24 items, Notice 2003-77 added another. The participants in these listed transactions include foreign and

*Continued on page 57*

## PAYMENT TIPS

Help your clients ensure that their payments are properly credited by stressing the importance of writing the following information on their check or money order:

- SSN or EIN.
- Tax period covered by the payment.
- Current mailing address.
- Correct name of the tax account.
- Type of tax form associated with the payment.
- Make the check or money out to United States Treasury — *not the IRS.*

It is even more important to provide identifying information if you use a money order.

## Combating abusive tax shelters

*Continued from page 56*

domestic business entities, individual taxpayers and tax-exempt organizations.

- The IRS is auditing taxpayers to determine whether they invested in abusive transactions, using information derived from promoter audits, a disclosure initiative (described below), public information and other sources.
- LMSB conducted a disclosure initiative from December 2001 to April 2002 that resulted in 1,689 disclosures from 1,206 taxpayers. Taxpayers disclosed transactions in which they claimed deductions or losses amounting to billions of dollars. Agents continue to investigate the leads generated by information provided by the taxpayers who came forward.
- IRS teams have been assembled to implement a comprehensive strategy to deal with questionable transactions. Teams are

headed by IRS executives from the LMSB, SB/SE and/or Tax Exempt/Government Entities Divisions as appropriate and include representatives from Chief Counsel, technical advisors and field specialists. The Chief Counsel has also created a new senior executive position within the Office of Chief Counsel to focus on potentially abusive tax avoidance transactions.

- In October 2002, the IRS launched additional settlement initiatives involving three types of abusive transactions, to offer an equitable alternative to protracted enforcement and litigation. The last of these settlement initiatives ended in March 2003.
- The president's 2004 budget proposes an additional \$100 million to support this effort to pursue high-income individuals and businesses.

## Refund Hold Program

The IRS now has an automated program freezing refunds when a taxpayer has one or more unresolved tax delinquency investigations for the past five tax years.

The IRS sends letters to taxpayers requesting they file the delinquent return or explain why no return should be filed. If we don't receive a response, we may prepare a substitute for return on the missing periods. These cases involve refunds due to taxpayers who file only when they expect a refund.

To avoid delays, delinquent returns should be mailed to the office that

sent the refund hold letter — not to a local office. There is no need to send another current year return; doing so may only complicate the process. The earliest the taxpayer could expect a current year refund is one full month after the delinquent return is processed. However, if the delinquent return shows a balance due, the held refund will be applied. Practitioners should provide the taxpayer's daytime phone number and the best hours to call. If there is a problem with the return, it can be resolved more quickly by calling the phone number listed on the notice rather than by correspondence.

## Federal Tax Deposits erroneously mailed to the Federal Reserve Bank of St. Louis

Beginning Jan. 1, 2004, Federal Tax Deposits (FTDs) sent to the wrong address will be returned, which may trigger penalties and interest.

During the 2003 filing season, all taxpayers still mailing their payments to the Federal Reserve Bank (FRB) of St. Louis were sent letters advising that FTDs must now be mailed to a new address. In order to avoid a payment being returned and a possible missed or late payment, taxpayers must begin sending their payments to:

**Financial Agent  
Federal Tax Deposit Processing  
P.O. Box 970030  
St. Louis, MO 63197**

To assist with this transition, the FRB has provided labels with the new mailing address. Taxpayers should affix these labels over any pre-addressed envelopes or on a blank envelope.

There are other options available to taxpayers, which may eliminate the possibility of any checks being returned. They may:

- Enroll in the Electronic Federal Tax Payment System (EFTPS) giving taxpayers the ability to pay all federal business taxes 24 hours a day, 7 days a week from the convenience of their home or office using a phone, free PC software or online through the Internet. With EFTPS, payments can be scheduled up to 120 days in advance of the due date, so the payment is made automatically on the date indicated. No more forms to mail or trips to make to the bank. EFTPS brochures and enrollment forms have been provided to these taxpayers for

their review, or they can enroll in EFTPS-Online at [www.ettps.gov](http://www.ettps.gov)/EFTPS is a free service offered by the Department of Treasury. For more information, call EFTPS Customer Service at **1.800.555.4477** or **1.800.945.8400**.

2. Deposit federal tax payments at one of the more than 10,000 financial institutions nationwide designated as a Treasury Tax and Loan (TT&L) depository. If using this option, credit for tax payment is received immediately. Taxpayers should contact their financial institution to determine if it is a TT&L depository.

To hear more information on the Federal Tax Deposit Program, please call our toll-free number at **1.866.692.6929**.



## LOCKBOX PROCESSING

Tax practitioners should mail all types of forms with a remittance to the lockbox. There are procedures in Package X for preparation and mailing of the 1040-V with lockbox mailing instructions and addresses. These procedures not only provide for expanding lockbox volumes but also provide consistent procedures for tax preparers.

Installment agreement payments and fees should also be mailed to the appropriate lockbox address. Not all individual tax packages contain lockbox mailing instructions.

Individual tax packages are limited in scope regarding which taxpayers will receive the lockbox

two-label envelope. Other taxpayers will receive the usual address envelope. Regardless of the package received by your clients, mail your Form 1040-V remittance returns to the lockbox address. If your clients receive a preprinted Form 1040-V package, encourage them to use the preprinted Form 1040-V with their remittance returns. The preprinted voucher can be read through high-speed computer scanning equipment, eliminating the need for data entry, thus ensuring fast and accurate posting of the payment information.

Forms 4868, *Extension Requests*, with remittances are processed at the lockbox. (See the list of lockbox addresses on the following pages.)

## Where to File 2003 Taxes

**Beginning in January 2004, practitioners should mail returns and payments to the following addresses.**

### Forms 1040 (Practitioners)

| Client lives in . . .   | No payment enclosed              | With payment enclosed                         |
|---|----------------------------------|---|
| <i>(Note: the first line of the address should be Internal Revenue Service)</i>   |                                  |   |
| Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia   | Atlanta, GA<br>39901-0002        | P.O. Box 105093<br>Atlanta, GA 30348-5093     |
| Maine, Massachusetts, New Hampshire, New York, Vermont  | Andover, MA<br>05501-0002        | P.O. Box 37002<br>Hartford, CT 06176-0002     |
| Connecticut, District of Columbia, Maryland, New Jersey, Pennsylvania   | Philadelphia, PA<br>19255-0002   | P.O. Box 80101<br>Cincinnati, OH 45280-0001   |
| Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas   | Austin, TX<br>73301-0002 Dallas, | P.O. Box 660308<br>TX 75266-0308              |
| Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming   | Fresno, CA<br>93888-0002         | P.O. Box 7704<br>San Francisco, CA 94120-7704 |
| Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin   | Kansas City, MO<br>64999-0002    | P.O. Box 970011<br>St. Louis, MO 63197-0011   |
| Ohio, Virginia  | Memphis, TN<br>37501-0002        | P.O. Box 105017<br>Atlanta, GA 30348-5017     |
| Arizona, Utah   | Fresno, CA<br>93888-0002         | P. O. Box 1214<br>Charlotte, NC 28201-1214    |
| All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding foreign income under Internal Revenue Code section 933), dual status aliens, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563 | Philadelphia, PA<br>19255-0215   | P.O. Box 80111<br>Cincinnati, OH 45280-0011   |

\* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Forms 1040A (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)  | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                  |
|---|--------------------------------|---|
| Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia   | Atlanta, GA<br>39901-0015      | P.O. Box 105093<br>Atlanta, GA 30348-5093     |
| Maine, Massachusetts, New Hampshire, New York, Vermont  | Andover, MA<br>05501-0015      | P.O. Box 37002<br>Hartford, CT 06176-0002     |
| Connecticut, District of Columbia, Maryland, New Jersey, Pennsylvania   | Philadelphia, PA<br>19255-0015 | P.O. Box 80101<br>Cincinnati, OH 45280-0001   |
| Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas   | Austin, TX<br>73301-0015       | P.O. Box 660308<br>Dallas, TX 75266-0308      |
| Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming   | Fresno, CA<br>93888-0015       | P.O. Box 7704<br>San Francisco, CA 94120-7704 |
| Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin   | Kansas City, MO<br>64999-0015  | P.O. Box 970011<br>St. Louis, MO 63197-0011   |
| Ohio, Virginia  | Memphis, TN<br>37501-0015      | P.O. Box 105017<br>Atlanta, GA 30348-5017     |
| Arizona, Utah   | Fresno, CA<br>93888-0015       | P. O. Box 1214<br>Charlotte, NC 28201-1214    |
| All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding foreign income under Internal Revenue Service code section 933), dual status alien, a foreign country: U.S.citizens and those filing Form 2555, 2555-EZ, or 4563 | Philadelphia, PA<br>19255-0215 | P.O. Box 80111<br>Cincinnati, OH 45280-0011   |

\* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Forms 1040EZ (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)  | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                  |
|---|--------------------------------|---|
| Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia   | Atlanta, GA<br>39901-0014      | P.O. Box 105093<br>Atlanta, GA 30348-5093     |
| Maine, Massachusetts, New Hampshire, New York, Vermont  | Andover, MA<br>05501-0014      | P.O. Box 37002<br>Hartford, CT 06176-0002     |
| Connecticut, District of Columbia, Maryland, New Jersey, Pennsylvania   | Philadelphia, PA<br>19255-0014 | P.O. Box 80101<br>Cincinnati, OH 45280-0001   |
| Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas   | Austin, TX<br>73301-0014       | P.O. Box 660308<br>Dallas, TX 75266-0308      |
| Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming   | Fresno, CA<br>93888-0014       | P.O. Box 7704<br>San Francisco, CA 94120-7704 |
| Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin   | Kansas City, MO<br>64999-0014  | P.O. Box 970011<br>St. Louis, MO 63197-0011   |
| Ohio, Virginia  | Memphis, TN<br>37501-0014      | P.O. Box 105017<br>Atlanta, GA 30348-5017     |
| Arizona, Utah   | Fresno, CA<br>93888-0014       | P. O. Box 1214<br>Charlotte, NC 28201-1214    |
| All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding foreign income under Internal Revenue Code section 933), dual status aliens, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563 | Philadelphia, PA<br>19255-0215 | P.O. Box 80111<br>Cincinnati, OH 45280-0011   |

\* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see below.**

**Use of private delivery services**

You can use private delivery services designated by the IRS to meet the “timely mailing as timely filing/ paying” rule for tax returns and payments. The most recent list of designated private delivery services was published by the IRS in September 2002. The list includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service and Second Day Service.
- DHL Worldwide Express (DHL): DHL Same Day Service and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2-Day,

FedEx International Priority and FedEx International First.

- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date. If you need an IRS office address for private delivery and are unable to get one from the delivery service, call **800.829.1040** for the appropriate address. Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

**Forms 1040-ES (Practitioners)**

**Client lives in . . .** (Note: the first line of the address should be Internal Revenue Service)

|   |   |
|---|---|
| Alabama, Florida, Georgia, Mississippi,<br>North Carolina, Rhode Island, South<br>Carolina, West Virginia   | P.O. Box 105900<br>Atlanta, GA 30348-5900       |
| Maine, Massachusetts, New<br>Hampshire, New York, Vermont   | P.O. Box 37001<br>Hartford, CT 06176-0001       |
| Connecticut, District of Columbia,<br>Maryland, New Jersey, Pennsylvania  | P.O. Box 80102<br>Cincinnati, OH 45280-0002     |
| Arkansas, Colorado, Kentucky,<br>Louisiana, New Mexico, Oklahoma,<br>Tennessee, Texas   | P.O. Box 660406<br>Dallas, TX 75266-0406        |
| Alaska, California, Hawaii,<br>Idaho, Montana, Nevada, Oregon,<br>Washington, Wyoming   | P.O. Box 510000<br>San Francisco, CA 94151-5100 |
| Delaware, Illinois, Indiana, Iowa,<br>Kansas, Michigan, Minnesota, Missouri,<br>Nebraska, North Dakota, South Dakota,<br>Wisconsin  | P.O. Box 970006<br>St. Louis, MO 63197-0006     |
| Ohio, Virginia  | P.O. Box 105225<br>Atlanta, GA 30348-5225       |
| Arizona, Utah   | P. O. Box 1219<br>Charlotte, NC 28201-1219      |
| All APO and FPO addresses, American<br>Samoa, nonpermanent residents of Guam<br>or the Virgin Islands*, the Commonwealth<br>of the Northern Mariana Islands, Puerto Rico<br>(or if excluding foreign income under Internal<br>Revenue Code section 933), dual status alien,<br>a foreign country: U.S. citizens and those<br>filing Form 2555, 2555-EZ, or 4563 | P.O. Box 80102<br>Cincinnati, OH 45280-0002     |

\* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Forms 4868 (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)  | <b>No payment enclosed</b>  | <b>With payment enclosed</b>                  |
|---|---|---|
| Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia   | Atlanta, GA<br>39901  | P.O. Box 105073<br>Atlanta, GA 30348-5073     |
| Maine, Massachusetts, New Hampshire, New York, Vermont  | Andover, MA<br>05501  | P.O. Box 37003<br>Hartford, CT 06176-0003     |
| Connecticut, District of Columbia, Maryland, New Jersey, Pennsylvania   | Philadelphia, PA<br>19255   | P.O. Box 80109<br>Cincinnati, OH 45280-0009   |
| Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas   | Austin, TX<br>73301   | P.O. Box 660575<br>Dallas, TX 75266-0575      |
| Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming   | Fresno, CA<br>93888   | P.O. Box 7122<br>San Francisco, CA 94120-7122 |
| Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin   | Kansas City, MO<br>64999  | P.O. Box 970028<br>St. Louis, MO 63197-0028   |
| Ohio, Virginia  | Memphis, TN<br>37501  | P.O. Box 105050<br>Atlanta, GA 30348-5050     |
| Arizona, Utah   | Fresno, CA<br>93888   | P. O. Box 1236<br>Charlotte, NC 28201-1236    |
| All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding foreign income under Internal Revenue Code section 933), dual status aliens, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563 | Philadelphia, PA<br>19255-0215  | P.O. Box 80109<br>Cincinnati, OH 45280-0009   |
| * Permanent residents of Guam should use:   | Department of Revenue and Taxation,<br>Government of Guam, P.O. Box 23607,<br>GMF, GU 96921       |   |
| * Permanent residents of the Virgin Islands should use:   | V.I. Bureau of Internal Revenue,<br>9601 Estate Thomas, Charlotte Amalie,<br>St. Thomas, VI 00802 |   |

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Form 940 (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)   | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                |
|--|--------------------------------|---|
| Connecticut, Delaware,<br>District of Columbia,<br>Illinois, Indiana,<br>Kentucky, Maine,<br>Maryland, Massachusetts,<br>Michigan, New Hampshire,<br>New Jersey, New York,<br>North Carolina, Ohio,<br>Pennsylvania, Rhode Island,<br>South Carolina, Vermont,<br>Virginia, West Virginia,<br>Wisconsin                    | Cincinnati, OH<br>45999-0046   | P.O. Box 105887<br>Atlanta, GA 30348-5887   |
| Alabama, Alaska,<br>Arizona, Arkansas,<br>California, Colorado<br>Florida, Georgia,<br>Hawaii, Idaho, Iowa<br>Kansas, Louisiana,<br>Minnesota, Mississippi<br>Missouri, Montana,<br>Nebraska, Nevada,<br>New Mexico, North Dakota,<br>Oklahoma, Oregon,<br>South Dakota, Tennessee,<br>Texas, Utah, Washington,<br>Wyoming | Ogden, UT<br>84201-0046        | P.O. Box 660095<br>Dallas, TX 75266-0095    |
| Puerto Rico,<br>U. S. Virgin Islands   | Philadelphia, PA<br>19255-0046 | P.O. Box 80105<br>Cincinnati, OH 45280-0005 |

**Exception:** If you are filing Form 940 for an exempt organization or government entity (federal, state, local, or Indian tribal), use the following addresses, regardless of location:

|                                |                             |
|--------------------------------|-----------------------------|
| <b>Return without payment:</b> | <b>Return with payment:</b> |
| Internal Revenue Service       | Internal Revenue Service    |
| Ogden, UT 84201-0046           | P.O. Box 660095             |
|                                | Dallas, 75266-0095          |

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Form 940EZ (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)   | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                |
|--|--------------------------------|---|
| Connecticut, Delaware,<br>District of Columbia,<br>Illinois, Indiana, Kentucky<br>Maine, Maryland, Massachusetts,<br>Michigan, New Hampshire, New Jersey,<br>New York, North Carolina, Ohio,<br>Pennsylvania, Rhode Island,<br>South Carolina, Vermont,<br>Virginia, West Virginia, Wisconsin                  | Cincinnati, OH<br>45999-0047   | P.O. Box 105659<br>Atlanta, GA 30348-5659   |
| Alabama, Alaska,<br>Arizona, Arkansas,<br>California, Colorado, Florida,<br>Georgia, Hawaii, Idaho, Iowa,<br>Kansas, Louisiana, Minnesota, Mississippi,<br>Missouri, Montana, Nebraska, Nevada,<br>New Mexico, North Dakota, Oklahoma,<br>Oregon, South Dakota, Tennessee,<br>Texas, Utah, Washington, Wyoming | Ogden, UT<br>84201-0047        | P.O. Box 660351<br>Dallas, TX 75266-0351    |
| Puerto Rico,<br>U. S. Virgin Islands   | Philadelphia, PA<br>19255-0047 | P.O. Box 80105<br>Cincinnati, OH 45280-0005 |

**Exception:** If you are filing Form 940-EZ for an exempt organization or government entity (federal, state, local, or Indian tribal), use the following addresses, regardless of location:

|  |  |
|--|--|
| <b>Return without payment:</b><br>Internal Revenue Service<br>Ogden, UT 84201-0047 | <b>Return with payment:</b><br>Internal Revenue Service<br>P.O. Box 660351<br>Dallas, 75266-0351 |
|--|--|

**Form 2290 (Practitioners)**

|   |                              |  |
|---|------------------------------|--|
| <b>Client lives in . . .</b><br>All States including<br>Canada and Mexico | Cincinnati, OH<br>45999-0031 | P. O. Box 105421<br>Atlanta, GA 30348-5421 |
|---|------------------------------|--|

**Form 706 (Practitioners)**

|   |   |
|---|---|
| filer other than nonresident U.S. citizen                               | Cincinnati, OH 45999                            |
| nonresident U.S. citizen  | Philadelphia, PA 19255, USA                     |
| filer other than nonresident U.S. citizen<br>(private delivery service) | 201 W. Rivercenter Blvd.<br>Covington, KY 41011 |

**Form 709 (Practitioners)**

Cincinnati, OH 45999

**Note:** If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.

**Form 941 (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)  | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                 |
|---|--------------------------------|--|
| Connecticut, Delaware,<br>District of Columbia, Illinois,<br>Indiana, Kentucky, Maine, Maryland,<br>Massachusetts, Michigan, New Hampshire,<br>New Jersey, New York, North Carolina, Ohio, Pennsylvania,<br>Rhode Island, South Carolina, Vermont, Virginia,<br>West Virginia, Wisconsin                  | Cincinnati, OH<br>45999-0005   | P.O. Box 105703<br>Atlanta, GA 30348-5703    |
| Alabama, Alaska, Arizona,<br>Arkansas, California, Colorado<br>Florida, Georgia, Hawaii, Idaho, Iowa<br>Kansas, Louisiana, Minnesota,<br>Mississippi, Missouri, Montana, Nebraska,<br>Nevada, New Mexico, North Dakota, Oklahoma,<br>Oregon, South Dakota, Tennessee, Texas,<br>Utah, Washington, Wyoming | Ogden, UT<br>84201-0005        | P.O. Box 660264<br>Dallas, TX 75266-0264     |
| No legal residence or<br>principal place of business in any state   | Philadelphia, PA<br>19255-0005 | P. O. Box 80106<br>Cincinnati, OH 45280-0006 |
| If you are filing Form 941<br>for an exempt organization or government<br>entity (federal, state, local or Indian tribal),<br>regardless of location.   | Ogden, UT 84201-0005           | P.O. Box 660264<br>Dallas, TX 75266-0264     |

**Form 943 (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)   | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                 |
|--|--------------------------------|--|
| Connecticut, Delaware,<br>District of Columbia, Illinois,<br>Indiana, Kentucky, Maine, Maryland,<br>Massachusetts, Michigan, New Hampshire,<br>New Jersey, New York, North Carolina, Ohio,<br>Pennsylvania, Rhode Island, South Carolina,<br>Vermont, Virginia, West Virginia, Wisconsin                 | Cincinnati, OH<br>45999-0008   | P.O. Box 105094<br>Atlanta, GA 30348-5094    |
| Alabama, Alaska, Arizona, Arkansas,<br>California, Colorado, Florida, Georgia,<br>Hawaii, Idaho, Iowa, Kansas, Louisiana,<br>Minnesota, Mississippi, Missouri, Montana,<br>Nebraska, Nevada, New Mexico, North Dakota,<br>Oklahoma, Oregon, South Dakota, Tennessee,<br>Texas, Utah, Washington, Wyoming | Ogden, UT<br>84201-0008        | P.O. Box 660587<br>Dallas, TX 75266-0587     |
| No legal residence or principal place<br>of business in any state  | Philadelphia, PA<br>19255-8526 | P. O. Box 80107<br>Cincinnati, OH 45280-0007 |
| <b>Exception:</b> If you are filing Form 943 for<br>an exempt organization or government entity<br>(federal, state, local or Indian tribal),<br>regardless of location:  | Ogden, UT 84201-0008           | P.O. Box 660587<br>Dallas, TX 75266-0587     |

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

**Form 945 (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service)  | <b>No payment enclosed</b>     | <b>With payment enclosed</b>                |
|---|--------------------------------|---|
| Connecticut, Delaware,<br>District of Columbia, Illinois,<br>Indiana, Kentucky, Maine, Maryland,<br>Massachusetts, Michigan, New Hampshire,<br>New Jersey, New York, North Carolina, Ohio,<br>Pennsylvania, Rhode Island,<br>South Carolina, Vermont,<br>Virginia, West Virginia, Wisconsin                 | Cincinnati, OH<br>45999-0042   | P. O. Box 105092<br>Atlanta, GA 30348-5092  |
| Alabama, Alaska,<br>Arizona, Arkansas, California,<br>Colorado, Florida, Georgia, Hawaii, Idaho,<br>Iowa, Kansas, Louisiana, Minnesota,<br>Mississippi, Missouri, Montana,<br>Nebraska, Nevada, New Mexico, North Dakota,<br>Oklahoma, Oregon, South Dakota, Tennessee,<br>Texas, Utah, Washington, Wyoming | Ogden, UT<br>84201-0042        | P.O. Box 660443<br>Dallas, TX 75266-0443    |
| No legal residence or<br>principal place or business in any state   | Philadelphia, PA<br>19255-0042 | P.O. Box 80108<br>Cincinnati, OH 45280-0008 |
| <b>Exception:</b> If you are filing Form 943 for<br>an exempt organization or government entity<br>(federal, state, local or Indian tribal),  | Ogden, UT 84201-0042           | P.O. Box 660443<br>Dallas, TX 75266-0443    |

**Form 1041-ES (Practitioners)**

| <b>Client lives in . . .</b><br>(Note: the first line of the address should be Internal Revenue Service) | <b>With payment enclosed</b>               |
|--|--|
| All States including<br>Canada and Mexico  | P. O. Box 105401<br>Atlanta, GA 30348-5401 |

**Form 1041 (Practitioners)**

| <b>Client lives in . . .</b> (Note: the first line of the address should be Internal Revenue Service)  |                             |
|--|-----------------------------|
| Connecticut, Delaware, District of<br>Columbia, Illinois, Indiana, Kentucky,<br>Maine, Maryland, Massachusetts,<br>Michigan, New Hampshire, New Jersey,<br>New York, North Carolina, Ohio,<br>Pennsylvania, Rhode Island, South Carolina,<br>Vermont, Virginia, West Virginia, Wisconsin                 | Cincinnati, OH 45999-0048   |
| Alabama, Alaska, Arizona, Arkansas,<br>California, Colorado, Florida, Georgia,<br>Hawaii, Idaho, Iowa, Kansas, Louisiana,<br>Minnesota, Mississippi, Missouri, Montana,<br>Nebraska, Nevada, New Mexico, North Dakota,<br>Oklahoma, Oregon, South Dakota, Tennessee,<br>Texas, Utah, Washington, Wyoming | Ogden, UT 84201-0048        |
| A foreign country or a U.S. possession   | Philadelphia, PA 19255-0048 |

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**



**Form 1120A (Practitioners)**

**If the corporation's principal business,**

**office or agency is located in . . .** (Note: the first line of the address should be Internal Revenue Service)

---

Connecticut, Delaware, District of Columbia,  
Illinois, Indiana, Kentucky, Maine, Maryland,  
Massachusetts, Michigan, New Hampshire,  
New Jersey, New York, North Carolina, Ohio,  
Pennsylvania, Rhode Island, South Carolina,  
Vermont, Virginia, West Virginia, Wisconsin,  
and the total assets at the end of the  
tax year are:

Less than \$10 million: Cincinnati, OH 45999-0112  
\$10 million or more: Ogden, UT 84201-0012

---

Alabama, Alaska, Arizona, Arkansas, California,  
Colorado, Florida, Georgia, Hawaii, Idaho, Iowa,  
Kansas, Louisiana, Minnesota, Mississippi, Missouri,  
Montana, Nebraska, Nevada, New Mexico, North  
Dakota, Oklahoma, Oregon, South Dakota, Tennessee,  
Texas, Utah, Washington, Wyoming, and the total assets  
at the end of the tax year are:

Any amount: Ogden, UT 84201-0012

---

**Form 1120S (Practitioners)**

**If the corporation's principal business,**

**office or agency is located in . . .** (Note: the first line of the address should be Internal Revenue Service)

---

Connecticut, Delaware, District of Columbia,  
Illinois, Indiana, Kentucky, Maine, Maryland,  
Massachusetts, Michigan, New Hampshire,  
New Jersey, New York, North Carolina, Ohio,  
Pennsylvania, Rhode Island, South Carolina,  
Vermont, Virginia, West Virginia, Wisconsin,  
and the total assets at the end of the  
tax year are:

Less than \$10 million: Cincinnati, OH 45999-0112  
\$10 million or more: Ogden, UT 84201-0013

---

Alabama, Alaska, Arizona, Arkansas, California,  
Colorado, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas,  
Louisiana, Minnesota, Mississippi, Missouri, Montana,  
Nebraska, Nevada, New Mexico, North Dakota,  
Oklahoma, Oregon, South Dakota, Tennessee, Texas,  
Utah, Washington, Wyoming, and the total  
assets at the end of the tax year are:

Any amount: Ogden, UT 84201-0013

---

A foreign country or U.S. possession (or the corporation  
is claiming the possessions corporation tax credit under  
sections 30A and 9936), and the total assets at the end  
of the tax year are:

Any amount: Philadelphia, PA 19255-0013

---

**Note: If you use a private delivery service (Airborne, DHL, FedEx or UPS), see page 61.**

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